



INDO-JAPANESE RELATIONS SINCE THE END OF COLD WAR

ABSTRACT

OF THE THESIS

SUBMITTED FOR THE AWARD OF THE DEGREE OF

Doctor of Philosophy

IN

POLITICAL SCIENCE

BY

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UNDER THE SUPERVISION OF

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ABSTRACT

The present study has been undertaken to assess and analyze various aspects of Indo-Japan relations that impinge on the progressive existence of the two nations. The study is a modest attempt to show the factors which include political, economic strategy that could make the two nations giant in their respective field and that how a positive relationship is essential to compete in the global village.

The study of Indo-Japan relations is not a routine matter but of vital economic, political and strategic importance. The subject has been studied in an independent, impartial and unbiased way. Equal treatment to the respective approaches, and policies studied of both India and Japan impinging on their bilateral cooperation. Both are therefore striving to expand and strengthen their collaboration.

The study is primarily based on official documents and statistical data published by the Japanese government as well as existing secondary sources available in the country. The thesis is organized in five chapters including conclusion.

The historical background of Indo-Japan relations is discussed in first chapter. Chapter two had thrown light on economic relations between India-Japan covering the period after The Cold War. Chapter

third investigated the trade relations between India and Japan especially after India's liberal economic policy announced in early 1990. Chapter four dealt with politico-strategic relations between India and Japan. Finally, conclusion throws light on the future perspective of Indo-Japan partnership.

Historically Japan maintains friendly relations with India. The long history of Indo-Japan relations indicates a lot of common similarities by which both the countries relation with passage of time became strong. Japan contributed for India's struggle for freedom. It played an important role and appreciated the policy of non alignment of India. The economic and technological backwardness of Asian countries provide an immense opportunity to Japan to expand her economic activities in the area.

Since the end of The Cold War world has passed from bipolar to multipolar, Japan is bound to play and expanded role in Asia, in particularly and world in general. The utmost priority of Japan in Asia is to maintain of peace and stability which ultimately serves her own economic and political strategic interest. India opened its economy to cope with its role in the global political and strategic scenario which has been changing rapidly. From this point of view it is reasonable to consider an influence and significances of relationship between two Asian giants, i.e., India and Japan. The bilateral ties between the two

countries have become more important to solve many world wide problems. Japan grants a lot of Official Development Assistance to India (ODA) for the sake of economic development and regional prosperity. Official Development Assistance (ODA) is the main important pillar of Japans foreign policy. Japan wants India to be a more prominent Asian player, when China wanted to establish dominant role in political and economic area. So, India became liberal in policies to attract Foreign Direct Investment (FDI) by which the relationship between India and Japan became strong.

Japan granted India a lot ODA for better infrastructure, electricity and telecommunication. Japan realized that the development of India's technological base and infrastructure facilities are very important for the improvement in favor of India, in developing India-Japan trade relations. In his view promoting export and manufacture industry can generate more employment.

Japan has given aid and direct investment to the regional countries including India in order to create a favorable environment. In this circumstance regional countries got the benefit of direct investment by achieving economic progress and high growth rate. Japan has become a largest investor and a major trade partner in the region. Japan has used its

investment policies to influence the elites of the south Asian countries to achieve its desired objectives in this global world.

Globally, the style of business administration has been recognized since the operation of multinational companies spreading all over the world, integrating international market and given immense influence at regional as well as global level too. In case of India's development, Japan assist India through its ODA, however, some times its inefficiency has been pointed out. Today's India required more trade and FDI as for as their economic policy is concern. It seems to be a good opportunity for Japan and India to consist a huge market for trade and investment. But India's trade with Japan still shows the characteristics of unequal exchange. The reason behind it is that India's industrial infrastructure needs modernization to facilitate export to Japan. Infact India imported a lot from Japan and is one of the huge markets in the world.

When we talk in terms of politico-strategic and security aspect, the Post on September 11, 2001 attack the politico-strategy of United States has to define the meaning of security. Only the armament race and developing nuclear weapon are not enough to counter new threats like terrorism. It needs cooperation at regional as well as global level too. In global world every country is interdependent and seeks the cooperation.

Japan is the close friend of United States of America. Its foreign policy could be best explained in its relations with United States such as maintaining international peace, stability, promoting economic liberalization and free trade, protecting the environment and furthering the humanitarian goals. Japan U.S relations are based on mutual benefit. Japan trusts a lot on U.S security umbrella and shares values in market driven economy.

Both India and Japan are the leading countries in Asia, they want to play a leading role at regional as well as global level. Japan being an economic superpower is not satisfied with its international status. On the other hand India is very much interested to become an economic power with holding its unique status in the global politics. In such circumstances both countries started to realize each other's potentiality in economic, political and strategic aspect. Both cooperated with each other to become a permanent member of U.N Security Council. In this regard Japanese Prime Minister Mori told then Indian Prime Minister Mr. Atal Bihari Vajpayee that they are in the same boat and rowing for the common goal. Japan regards India as one of the most reliable and forceful partner in promoting the reform of the U.N Security Council.

They are keenly interested to maintain global as well as regional peace and stability by reforming U.N Security Council. Japan is also one

of the trading country of G-20 are committed to work together with the countries including India to discuss a variety of issue of global and transnational nature like, protection of global environment, eradication of infectious diseases, fight against terrorism, piracy and drug trafficking etc.

Both India and Japan seriously criticize terrorism whether it is attack on Kashmir, London, New York, at metro station in Tokyo, in Taj Hotel, Mumbai or Parliament in New Delhi, or Baghdad etc.

Japan also initiated to solve the India-Pakistan problem on the issue of Kashmir but still no fruitful solution surfaced.

In the last it has been said that both India and Japan are the two powerful giant in Asia, they wants to play a complementary role to maintain peace, stability and regional prosperity Post Cold War. Both countries care for each other because of their mutual interdependence and the prevailing economic order. So the future appears to hold bright prospects of an exponential growth in Indo-Japan relation particularly in economic field and more particularly to emphasize major politico-strategic issues for comprehensive development.



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2010



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Dated : 11/6/14

Dr. Mrs. Nigar Zuberi
Associate Professor

Certificate

This is to certify that Mr. Mohd Rizwan Alam has completed his thesis entitled "Indo Japanese Relations Since the end of Cold war" under my supervision and is, in my opinion, suitable for submission for the award of the Degree of Doctor of Philosophy in Political Science of Aligarh Muslim University, Aligarh.


Dr. Mrs. Nigar Zuberi
(Supervisor)

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LIST OF ABBREVIATIONS

AIDS	Acquired Immunodeficiency Syndrome
AIF	Annual Indian Forum
APEC	Asia Pacific Economic Corporation
APHC	All Party Huriyat Conference
ASEAN	Association Of South East Asian Nations
BJM	Bangladesh Jammu Multipurpose
BMD	Ballistae Missile Defers
BOP	Balance Of Payment
BRIC	Brazil Russia, Indian And China
CII	Chartered Insurance Institute
CTBT	Comprehensive Test Ban Treaty
DAC	Development Assistance Committee
DMRIS	Delhi Mass Rapid Transport System
DOTS	Direction Of Trade Statistics
EAS	East Asian Summit
ECAFE	Economic Commission For Asia And For East
EFTA	European Free Trade Agreement
ESCAP	Economic And Social Commission For Asia And The Pacific
EU	European Union

EXIM BANK	Export Import Bank
FDI	Foreign Direct Investment
FII	Foreign Institution Investment
FIPB	Foreign Investment Promotion Board
FTAA	Free Trade Area of The America
GA	General Assembly
GATT	General Agreement On Trade And Tariff
GDP	Gross Domestic Product
GGB	General Government Balance
GGP	Grand Assistance For Grass Roots Project
GOJ	Government Of Japan
GRP	Grass Root Project
IDA	International Development Agency
IIT	Indian Institution Of Technology
IMF	International Monetary Fund
IT	Information Technology
JAL	Japanese Air Lines
JBCCEC	Bangladesh Japan Joint Committee For Commercial And Economic Cooperation
JETRO	Japan External Trade Organization
JISA	Japan Industrial Safety Association
JKLF	Jammu Kashmir Liberation Front
LOC	Line Of Control

MITI	Ministry of International Trade And Industry
MOU	Memorandum Of Understanding
MRTS	Mass Rapid Transit System
NAFTA	North American Free Trade Agreement
NCP	National Capital Planning
NCR	National Capital Region
NEP	New Economic Policy
NGO	Non Governmental Organization
NRI	Non Residence Indian
NTT	Nippon Telephone And Telegraph
OA	Official Assistance
ODA	Official Development Assistance
OECD	Organisation For Economic Cooperation And Development
OECF	Organisation Of Economic Cooperation Fund
PTA	Preferential Trading Arrangement
RBI	Reserve Bank Of India
SAARC	South Asian Association Of Regional Cooperation
SAFTA	South Asia Free Trade Area
SAPTA	South Asia Preferential Trade Arrangement
SC	Security Council
SDF	Self Defense Force
SEAC	South East Asian Countries

SEZS	Special Economic Zones
SIDBI	Small Industries Development Of India
SMES	Small And Marginal Enterprises
TDA	Trade Development Authority
TMD	Theatre Missile Defense
UF	United Front
UN	United Nations
UNCTAD	United Nations Conference on Trade And Development
UNGA	United Nations General Assembly
UNICEF	United Nations Children Emergency Fund
UNSC	United Nations Security Council
WMDS	Weapons Of Mass Destruction
WTO	World Trade Organisation
YAP	Yamuna Action Plan
YKK	Yoshida Kagyo Kabushike

INTRODUCTION

INTRODUCTION

The end of The Cold War or the beginning of 1991 had witnessed India's adoption of New Economic Policy (NEP) under then Prime Minister P.V. Narsimha Rao. This initiative had been appreciated by Japan from different point of views.

The first policy was the adoption of economic liberalization commenced from 1991 which aimed to reform its fiscal industrial trade, foreign investment, foreign exchange and public sector etc.

Secondly, the collapse of Soviet Union forced India to search new friends and economic partners to achieve its long term economic and political aspirations. This drive led to the successful implementation of the "Look East" policy which was initiated by P.V. Narsimha Rao in 1991 and facilitated by his successors. It had contributed to promote a process of continuous dialogues with ASEAN (Association of South East Asian Nations).

Thirdly, India had been pressing multidimensional foreign policies in order to increase its diplomatic relations which led a significant progress in the relations with the United States both in political as well as economic point of view. There are so many areas where their interest got fulfilled. This had been demonstrated since 11 September 2001.

It can be hypothesized that the initiatives which were taken by government of India as mentioned above may give a considerable impetus to India-Japan relations.

India-Japan diplomatic relations were established from 28 April 1952. Since the establishment of diplomatic relations a number of bilateral treaties and agreements between India and Japan had been concluded and they were as follow.

1. Treaty of Peace, 27 August 1952.
2. Cultural agreement 24 May 1956.
3. Agreement on commerce 8 April 1958.
4. Agreement for the avoidance of double taxation in respect of taxes on income, 13 June 1960.

Historically, Japan and India maintained good relation since ancient to modern era. Japan played a significant role during the colonial era by supporting the Indian nationalist and revolutionaries. It promoted the concept of one Asia and Asian values which had been admired ever since by the Indian leaders with the growing importance of South Asia. In addition to it with the changing global political and economic scenario in Post Cold War era was a reason.

However the historical growth of Japan as a global power is a model for India and other countries of South Asia. The “Japanese model

of development” and its social conduct are important for India to face the developmental challenges in the era of market economy.

The end of The Cold War India opened its market for the foreign investors for the rapid growth and development. In this process Japan played a pivotal role by investing a huge amount which pushed economic development of both the countries.

Japan provided a lot of Official Development Assistance (ODA) to India for the sake of economic development. ODA is the main pillar of Japan’s foreign policy. Japan granted Official Development Assistance to all the South Asian countries in general and India in particular. Both India and Japan are trying for the rapid growth and development. But historically India and Japan had different traits in their development of national economy. In the 1980 through 1990’s, India and Japan experienced diverging courses of economic progress. Japan the economic super power following the collapse of its stock and real estate market after its bubble economy went through a decade of enduring economic stagnation. The most of Japan’s industrial sector had not been able to keep their pace with the high growth and productivity.

But in the case of India, it decided to bring economic shift from socialist pattern of economy moving over gradually towards market

oriented economy. Some of the Indian industrial firms had gained world market share especially in the field of Information Technology (IT).

The developments of India's technology and infrastructure facilities were necessary for an improvement in developing India-Japan trade relations. India's trade with Japan still shows the characteristics of unequal exchange. India's industrial infrastructure needs modernization to facilitate export to Japan. However India imports a lot from Japan.

Next making an overview of aspects of politics and security the terrorist attack on September 11, 2001 in the United State forced these countries to redefine the meaning of security.

Only nuclear weapons and armaments are not enough to counter new threats like terrorism, even a super power or the biggest military power cannot overcome the problems without the support and cooperation of other countries.

Japan is the close ally of the United States of America. Its foreign policy could be best explained in its relation with the United States. Japan U.S. relations are based on mutual benefit and even Japan trusts a lot on U.S. security umbrella and shared values in market driven economy.

Japan followed U.S. policies in its decision making process such as maintaining international peace and stability, promoting economic

liberalization and free trade, protecting the environment and furthering the humanitarian goals.

Both countries trusted each other and shared common interest. Japan never interfered in the matter which directly or indirectly affects the American interest. In the matter of Kashmir, Japan tried to solve the dispute which is prevailing since the independence of both the countries. But whatever Japan had done, it was on the direction of U.S. But Japan had a fact which cannot be over looked had always a soft corner for India.

Japan cooperated with India at every movement in the form of O.D.A. It is the responsibility of both the countries to share common interest in this new world order which is not only in the field of economy but also in the field of international politics like security, peace, global endeavor to fight against terrorism and disarmament.

The relations between India and Japan have not shown significant development until very recently. India is a country which lies on South part of Asia and it is not so important as United States of America or the other Asian countries especially China, which is considered as a dominant player in international relations as well as contender for India from time to time. But in South Asian countries India occupy central position as for as India-Japan relations are concerned.

From several points of view, India-Japan relations are marked by distance borne of geography and significance in economic, social and political landscape and the histories of these two nations. The dimensions of policy dimension also characterized distance because there is a big gap in the approaches of Japan and India on the matters of foreign policy. Japan's approach to manage international relations has been marked by its check book diplomacy. It was mainly done through ODA reticence and in recent years particularly being uncertain. India's foreign policy is determined by moral, fortitude, national self righteousness and occasional grant standing etc.

Infact the twenty first century is consider the Asian century political arena. It shows an indication for leave of changes in relation to India-Japan relations. India and Japan witness, the worlds circumstances and the changes since the end of cold war. Now both the countries are very well aware about increasing interdependence in this era of globalization. They are also aware about their own importance in international economical political and strategic relations.

One of the Chinese strategists assesses political aspirations of Japan which are as follows:

- (1) Japan has been fervently seeking to exert influence in global and regional affairs since 1990.

- (2) Collapse of bipolar world enables Japan to fulfill the aspiration of becoming a political power.
- (3) To be a true political power Japan will have to raise its political and military profile in the international arena.
- (4) Japan's current transitional phase of converting its economic power to political power₂

India is one of the biggest populated democratic countries in the world. Its political approach is very similar to that of Japan. India is very much serious for getting a permanent seat in United Nations Security Council. India is working with G-4 members (India, Brazil, Germany and Japan) to realize the same. But African Union (AU) decided not to support G-4 resolution for expansion of UN Security Council, the hopes of G4 dashed. But India still has a hope to become a permanent member of UN Security Council. Japan is very close to U.S and totally depends on it. India played a dominant role in maintaining international peace and security. She participated in United Nation peace keeping campaign from 1950 onwards. India also initiated to restructure the United Nation Security Council.

From the above point of view, it is clear that, the changes in the global politics brought India and Japan more close to each other than ever before. Both the countries are playing a dominant role in shaping the

worlds economic and political order and maintaining regional as well as global peace and stability.

SCOPE OF THE RESEARCH

India and Japan are the leading countries in Asia. The aims and objectives of the study are to search possibilities how both the countries can benefit each other at regional as well as global level, as each one of it is responsible and leading countries in Asia. The period of the study covers Indo-Japan's relations since the end of cold war. It was a period when India liberalized its economy. This reform drew both the countries more close to each other.

The study of Indo-Japan relations drew a comprehensive picture of both the countries and its role in changing global scenario. In this study the emphasis has been given on Indo-Japan economic, trade and political relations, which are considered as the main important aspect between the two countries.

CHAPTERISATION:

Chapter one has thrown light on India-Japan relations. India-Japan relation existed since prehistoric times and strengthened since the time of Buddha. A brief discussion on the contribution of Japan in India's freedom struggle had also been made to understand India-Japan relations perspective. When we talk in terms of foreign policy of India and Japan

in the post World War II period it had been found that it was influenced by those changes like all the countries in the world but in different prospects. The rapid changing scenario of international relations such, end of the Cold War process of globalization, or the emerging regionalism, provides important background for Indo-Japan relation, in relation to trade culture, politics and economy.

Chapter two had thrown light on economic relations between India-Japan covering the period after the Cold War. The introduction of economic liberalization policy, under the government of P.V. Narsimha Rao had been studied in chapter. Economic relations have been considered as one of the most vital and crucial topic on India-Japan relations. Economic relation between India and Japan includes Official Development Assistance (ODA) and Foreign Direct Investment (FDI) towards India, the impact of India's economic reform and the response from Japan will be investigated. This chapter also covered the cooperative role of Japan in the form of ODA to strengthening Indo-Japan relations.

Chapter III investigated with the trade relations between India and Japan especially after India's economic liberalization policy which was announced in the early 1990. Trade is an important pillar to develop friendly and cooperative relations between the two countries. This chapter

highlighted trade relation between India and Japan with the help of statistics, table and also makes the comparison with other countries of the world.

Chapter IV dealt with the political and strategic relations between India and Japan. Political and strategic relations had depends on so many factors like what type of relation you have with the super power like U.S., China, former Soviet Union. India's nuclear test and proliferation issue, security aspect, reform of the United Nation Security Council, visit and exchange of high government official of India and Japan.

This chapter also covered the role of Japan in solving the Kashmir issue, cooperative effort of Indo-Japan for the eradication of terrorism and the 11 September terrorist attack on United States of America and its impact on Indo-Japan relations.

Japan is economically super power whereas India is biggest populated democratic country in the world. So, both the countries will promote a comprehensive effort to develop global partnership and it seems that the countries will play a lead role in maintaining relation in times too come

Chapter I

Indo-Japan Relations : A Historical Background

CHAPTER-1

INDO-JAPAN RELATIONS A HISTORICAL BACKGROUND

Japan or Nippon, country 377.835 sq.km., occupying an archipelago off the coast of E. Asia. Its capital is Tokyo. Japan proper has four main islands, which are Ittokkaido, Houshu, Shikoky and Kyushu. Japan is also called the land of 'rising sun.' It is located between Asia and the oceanic region.

Japan is an extremely homogeneous society. The Japanese peoples are primarily descendants of various peoples who migrated from Asia in prehistoric times. Japan's principle religious are Shinto & Buddhism, most Japanese practice both faiths.

Japan follows the system of parliamentary democracy. Japan is governed under the constitution of 1947, drafted and approved by the Japanese Diet. It declares that the emperor is only a symbol of the state but that sovereignty rests with the people. The House of Representatives has 480 members. Japan is divided into 47 prefectures, each governed by a popularly elected governor and unicameral legislative.

The study geographical location of the Japan and neighbouring countries one finds there was possible linkage which existed between

Japan and north east region of India. It seems some of the tribes from north east India has been migrated and took the shelter in Japan. After a series of climatic and changes their was found a close resemblance not only between their facial features but also their customs, traditions, ritual, names and various other characteristics.

Historically, Japan maintained friendly relations with South-Asian countries especially with India. A long history of Indo-Japanese relations indicates that there was not only Indian cultural influence on Japan but also a lot of similarities lead both the countries further to strengthen the relations.

The relation between India and Japan is not modern time; its relations dates back to the 6th century with the introduction of Buddhism to Japan from Korea.

The gradual development of relations between two countries were determined by number of factors, like their historical and cultural experience their geographical locations and the system of socio-economic and political set up of each country. India and Japan were fortunate enough that there cultural forces have played an important role in maintaining the friendliest relations from the ancient to modern time.

Buddhism originated in India in the 6th century. One of its main branches, Mahayana O2 'Greater Vehicle' found its way to Japan via

China and Korea in 6th century. "Gautama the Buddha" the greatest messenger of peace from India has given a universal message of peace, non violence and compassion to the world in the fifth century BC as in 20th century given by Mohan Das Karam Chand Gandhi. This great message was spread to all the nations of South East Asia and East Asia. The late Prime Minister Rajeev Gandhi visited Japan in November, 1985 remarked that 'the Indo Japanese friendship was a sturdy tree, planted one thousands four hundred years ago when Buddhism reached the shore of Japan'¹. Through history scholars and pilgrims have travelled between our two countries and linked together our mind and spirit'².

During the Nara Period, the great Buddhist monasteries were built. And during the early period of Heian, two new Buddhist sects were introduced. Initially after a few conflicts with Shinto (Japan's native religion) the two religions were soon able to co-exist and even complemented each other. India and Japan were spiritually connected i.e. with each other and a lot of Japanese visited India 'even now, 0.4% of the 16 million Japanese travel overseas annually i.e. about 60,000 visit to India and 20% of this visitors to Buddhist sites'³. A famous Japanese scholar Inoue Enryō has said that, "surely enough Buddhism our countries fine produced a famous product"⁴.

A large number of Japanese Buddhist visit India every year and build a pagadoga at Bodhgaya and a world peace “Stupa” at Rajgir”.

Through the passage of time Japan has seen many political social and geographical upheavals. But the Meiji Period is worth mentioning in this contest. The Meiji Period extends form 1867 to 1912. Infact it is known as Meiji Restoration, because it refers to both the events of 1868 that led to the “restoration” of the power to the emperor and the entire period of revolutionary changes coincided with the Meiji emperor’s Eeign. The new Meiji government discarded the feudal system and launched a series of reform that brought tremendous change in Japanese society.

The Meiji restoration was regarded as the turning point of modernization of Japan. They brought reforms in – administrative, economic, social, legal, educational, and military – with a slogan of Fukokukyohei i.e. enrich country, strengthen military. Direct contact between two countries was established. It was not only a result of Japanese society, economy and psychological make up of her people but also the result of Japanese foreign policy. The new regime too much opposed the helplessness of the earlier Tokugawa regime in the face of western military power and the humiliation. Tokugawas had to suffer due to military weakness and internal divisions and overburdening debts.

Soon after that Japan realized to become a military might for the purpose of socio-economic and intellectual renovation. The restored government therefore adopted a series of vigorous policies aimed at achieving rapid modernization comprising measures whose goal was inspired by such slogan as, “rich country, strong army and increase production promote industry”⁵. The Meiji restoration made a considerable effort to make a capable modern state, to face any challenges in the future. At that time India was under the colonial rule of western power and looking toward Japan which was emerging as the world economic power challenging the west.

Japan’s contribution in India’s struggle for freedom directly or indirectly has been considerable for example. The victory of Japan over Russia in 1905 influenced the nationalist leaders of Asia particularly India who had launched an organized movement for the liberation of their country from British rule.

Japan played an important role of providing shelter and place for refugees. It also cooperated to the Indian revolutionaries who have to escape from their country to avoid arrest by the British government. One of these revolutionaries was Maulavi Barkatulla. He started “Islamic fraternity in Tokyo in 1910”⁶.

The other revolutionaries who initiated anti British activities were Rash Bihari Bose and Bhagat Singh in Tokyo and Shanghai as their head quarter. On November 1915 they organized a meeting in Tokyo Hotel at Beno Park with the collaboration of many other revolutionaries including Lala Lajpat Rai & Dr. Syumel etc. He greatly sympathized with India; attended this meeting along with many other friends. The Japanese flag was spread out with the flag of Indian independence and fairly speeches started both by Indian and Japanese. Due to this British Government issued an extradition order against Rash Bihari Bose by developing pressure on Japanese government. However there was lot of Japanese sympathizer who helped the Indian revolutionaries one of them name was Aizo Sama. Later on Aizo Sama become so friendly that he married his daughter with Rash Bihari for the political purpose. He helped in withdrawing extradition warrant against Bihari. Rash Bihari Bose acquired Japanese citizenship and become one of the great supporter of Indo-Japanese relations. He did not hesitate to criticize some of the Indian leaders who did not favour Japanese alliance during World War II.

With the emerging of First World War in Europe gave an opportunity to Japan to expand the socio economic and political set up in Asia and occupy a status of major power in the modern world.

The economic prosperity and military power helped him to become a successful leader of Asian countries. Japan has been recognized as the military and industrial giant amongst big five countries in the world after the treaty of Versailles (1919). But unfortunately Japan attacked on Pearl Harbor on 7th December 1941 at USA without prior declaration. Though the attack was a preventive action there were several other aims. Later on the contrary USA counter attacked and dropped two atom bombs, on August 6 on the Japanese city of Hiroshima and on Nagasaki on 15th August 1945. Pearl Harbor awakened the “Sleeping Giant” Japan surrendered under the leadership of allied power. The II World War came to an end, which gave the birth of United Nations.

Due to lot of destruction in war Japan faced the financial crisis and economic and political instability. She was laid the heavy burden to pay war compensation to neighbouring countries devastated by war. Japanese government started to develop relations with South Asian countries with a new slogan for the resumption. In this aspect the first proposal had been materialized was the development import of iron ore from Goa mines. Indo-Japan trading company ‘Kishimoto’ was the first company to import iron ore from Goa in 1949 which was working since 1935.

In short under this development import pact ‘mining development machinery worth 1.5 million was to undergo export to Goa based on

funding by the EXIM bank. In return Goa was to export iron ore mined over the next three years at 500000 tons per annum or a total of 1.5 million tons to Japan⁷.

During this era private trade resumed and many overseas business opportunities were opened, but neither India nor Japan was able to promote their interest due to lack of funds. And the another important thing was that the Second World War came to an end and the whole world was divided in to two blocks known as east and west or communist or capitalist represented by Soviet Union and USA.

Due to this division the western imperial power has become weak and led the emergence of new and independent nations in the Asian continent. These newly independent nations of Asia also got involved in the Cold War structure and got divided in two blocks known as communist and capitalist.

Japan, which was already under American occupation. It regained her independence in 1952 and became one of the important partners of allies (USA). Japan had signed a security pact with the United State. Under this treaty Japan has closely associate with the leaders of the western block and openly followed the US political line both in United Nation and out side it.

On the other hand India followed the policies of non-alignment, having no involvement with either of two blocks and heartily supported the cause of colonial countries of Asia and Africa for their freedom. Non alignment was only one of the most important aspect of India's foreign policies.

It can be pointed out that in 1950s the Japan admired the policy of non alignment of India and its leadership of the Asian African countries. The Japanese role was recognized by India in the development of the rest of the Asia initiated by Japan for resurgence of the economy of the Asian countries. In 1952 India signed a separate peace treaty with Japan, the 11 article on Indo-Japanese peace treaty sign with a declaration that "there shall be firm and perpetual peace and unity between India and Japan and their peoples"⁸.

India's role was considerable when she supported Japan's application for admission to the UN. India also played an important role to collaborate the Japanese representatives with the Chinese Prime Minister Chau-En Lai at the Bandung Conference in 1955.

In contrast to the Indo-Japanese relation in world affairs, it may said that India was outward looking and playing a significant role in the United Nations and world affair whereas Japan was inwards looking concentrating all its energy in expanding its economy and commerce.

In 1950s Japan's relations with the rest of Asia were concerned mainly with its own economic interests. In 1960s Japan's role had become highly visible in Asia as well as elsewhere in the world.

It may be noted down that Japan still having its existence in the eyes of South East Asian Nation and tried to participate in world problems accordingly. The government of Japan concentrated on the following issues:

1. Normal diplomatic relation with Soviet Union.
2. Gaining admission for the UNO and other world bodies.
3. Winning good-will and trust of those nations which had been occupied by Japanese armed forces during 1942-45.
4. Attaining parity with Europe in culture, common Trade and Science and Technology⁹.

In spite of it Japanese conservative leaders were taken critical approach about the policies of non-alignment followed by India but Japanese people highly appreciated her role. India played an important role in world affair and popularity rate and was considered equivalent with the United State and the countries of the Western Europe. For example in January 1956 Miki Takeo having the top position in the ruling party but have no connection with the government. He said that people of Japan by and large appreciated the India's role, playing in

international affairs and thought that India's policy of non-alignment was a wise policy. He said, 'speaking for myself I would follow exactly the same policy followed by Mr. Nehru'¹⁰. India's diplomatic role in the United Nations was appreciated by Japanese diplomats; they remarked that Japan could learn from the example of India'¹¹. In 1958 Foreign Minister Fuji Yama Aiehiro said in a press interview that it was his countries desire to adopt the same policy as India was followed on 'fundamental world issues'¹².

Pandit Jawahal Lal Nehru visited Japan from 2 to 4 October 1957 and was warmly welcomed by Japanese peoples. He considered the voice of humanity for peace in the world'¹³. Nehru discussed a lot of issue with the Japanese leaders and official to promote economic development of Asia. He believed that in Asia, policies centering around, India, China and Japan in first instance was a desirable goal. Summing up the result achieved by the visit, national daily The Hindu wrote, 'It appears to foreshadow an era of real cooperation between two Asian countries which had followed divergent paths in the past political cooperation was likely to follow in wake of economic collaboration and it will be a Red Letter Day for Asia, where the three leading nations of Asia, i.e. Japan, China and India established friendly relations and helps in raising the living standard of the less developed countries of South East Asia'¹⁴.

Nehru summed up his visit by saying, ‘whatever outward results might be obtained from this visit, I think inner result bring our two peoples together were for more important and for greater’¹⁵. The foundation of friendship, goodwill and mutual respect have been laid down in a Treaty of Peace. India and Japan moved towards concluding other pacts in order to improve their relationship. On 26th November, 1955 an agreement on civil aviation was signed in New Delhi, facilitate the establishment of Direct Air Services between the two countries. In July 1965 Air India and Japan Air lines worked out a pool arrangement to cover revenues earned through traffic between India and Japan flown by them, and increase the frequency of their flights 2 per week. A revision of the original agreement of 1955, affected under another accord signed on 28 September 1973 resulted in the substitution of a new schedule under which Japan airlines dropped Calcutta and switched over to the Bombay, New Delhi route and addition of Osaka to the air India route to Japan¹⁶.

As we study the Indo-Japanese relations which based on socio, religious and culture of two countries too. No country can be comprises as close these countries. But after 1950s onward Japans followed the prowess or pro American Policy in International Affairs. In spite of all these facts Japan cooperated a lot for Asian countries in maintaining their economic and political affairs.

The Indian Prime Minister Indira Gandhi visited Japan in 1969 and Rajiv Gandhi in 1985 in response of Japanese prime minister's visit¹⁷. There was more formality than purpose in these visits and the "vision of common destiny" which inspired leaders on the 1950s had receded into the background. The Japanese Prime Minister expressed sympathy for India over the difficulties thrust upon it by Chinese military action in 1962 war between India and China. It was only a moral support by Japan. Prime Minister Ikeda said about the war, we were to decide ourselves what role to play the India's, border dispute We are walking to extend aid so long as it was not military. Concretely we were willing to responded to India's request for purchase of trucks long as they were not in military category¹⁸. Since India's border conflict came at the time when China and Japan signed a pact to maintain wide economic relations to a new stage.

The Yamiuri a conservative news paper, wrote in an editorial on 19th October 1962, "The border dispute between India and the communist China might never had blown up if the China had not build a road from Sinkiang to Tibet through the Ladakh district in 1957"¹⁹. The Mainichi daily newspaper said in its editorial of 5th November, "This gives the impression that the Peking regime intended to force New Delhi to accept

its condition under pressure of military might. And it is natural that India refuge to resume talks under such circumstances”²⁰.

The border dispute was not a struggle between socialism and imperialism. India moved towards the socialist society through a socialist country and pursued an independent foreign policy outside the military block.

Japan being the close business partner of China was interested in the vast China market whereas India was shocked with the Chinese invasion. On account of growing power Indian and other opinion makers wanted the contentment of China and collaboration of India and Japan for the economic prosperity and development. A well known Indian Journalist Durgadas said the same, “Tokyo as a peg at one end and Delhi on the other with Canberra in between”²¹ Paul Hasluck, the Australia’s Foreign Minister, had said that Japan, India and Australia constitute a counter wailing power to restrain china. Huber Humpheri a liberal democratic leader in the United State Senate and a candidate for office of the President in the 1960s also favoured that India, Japan, Australia, New Zealand and Indonesia should constitute free Asian solidarity against China. But India following the policy of Non-alignment was not in favour to keep alliances with either Japan or any other Asian nations. India wants a rapid economic development which can be the best answer to

China. And the China thought that India and Japan want the containment of the country. Radio Beijing criticized Indian Deputy Prime Minister Morarji Desai's visit to Japan in August 1967. In a broadcast on 25th August the radio described India and Japan as "the two running dogs of American Imperialism in Asia engaged in anti china collaboration"²². All these were the news paper reactions, which were published in 1957 and 1962. It drew India closer to Japan and kept farther communist China.

Although the idea of Indo-Japanese collaboration to counter China was a hopeless step as far as a ground condition of communist China was concerned. In June 1961 Indian Prime Minister Indira Gandhi also went to Japan keeping her speculation about such collaborations.

During the conflict between India-China, Japan was anxious to take an autonomous and independent step. But during the conflict between India and Pakistan in 1965 Japan was eager to take step with its western allies. A general tilt towards its ally was an unstated assumption behind that policy. Japan being economic power maintains the parity between India and Pakistan like a yen credit given to India must be matched with similar yen credit given to Pakistan, a fertilizer factory set up in India must be matched with a steel mill in Pakistan. Following these policies also means avoiding adroitly the controversial Kashmir problem, much to the annoyance of the parties' concern²³.

The party game was played by Japan due to Rann of Kutch in an incident which was held in January 1965. Pakistan being close to US wants a settlement with the help of US or in other words wants aid from USA. Japan did not take any independent step to help India being the close ally of USA. On 30th June Kutch problem came to an end but opened a new front of conflict on the side of Punjab and Jammu and Kashmir. At last with the help of UN Security Council resolution a large number of hostility broke out on 1st September. In January 1966 mediation was held between India and Pakistan at Tashkent.

The Tashkent pact was not an end of the conflict between the two countries. Due to this conflict West Germany, Canada, United States announced suspension of all development assistance to India till the conflict with Pakistan settled. Japan being the close ally of USA also declared that aid promise for 1965-66 and all project aid to India would remain suspended. India was very much disappointed by the destructive parity idea taken by the Japan without any reasonable problem or reason. Indian disappointment over the action was expressed by Dr. V.K.R.V. Rao when he went to Tokyo to meet members of the committee to study on the economic development of India and Japan. He said (19th Nov. 1966) in Tokyo that it was very difficult to understand why Japan suspended the supply of material even there supply were not of war

material. The U.S. has its own reason as she was ally of Pakistan and promoted its own policy in the South Asian region. You should distinguish yourself from other in the matter of aid policies to the Asian countries and you should take an outstanding role. In the words of Dr. Rao (resumption of Japanese project aid was announced during Prime Minister Indira Gandhi's visit in June 1969)²⁴.

A similar step was taken by Japan in III Indo-Pakistan war which resulted in the establishment of Bangladesh with the help of United Nation. The establishment of Bangladesh was due to a popular movement laid by Sheikh Mujibur Rehman to make an independent and sovereign state. Due to war India was facing an intolerable burden of thousands of refugees who took shelter in India. On account of it in November 1971 became aware about the fact of burden faced by India, but there was no result. The ruling liberal party of Japan also expressed sympathy about the problems but was not willing to look at the problem as it was linked with Pak internal affairs. The same dialogue was told by socialist party that it's internal problem. But India was interested to make eastern part free from Pakistan as small minorities having a trust of an autonomous eastern wing on one hand and reduce refugees burden over India on the other hand. At the last eastern wing succeeded in formulating

independent Bangladesh with the help of neighbors specially India as well as U.N.

Similar attitude was adopted by Japan during the war between Indo-China as followed Indo-Pakistan in 1965 and 1971²⁵. Japan suspended aid to both the countries. At this time India wanted close friends who can cooperate economically and in armament. In 1971 India signed a Treaty of Peace and Friendship with Soviet Union. It was bitterly criticized by the Japanese press and leadership. And at the same time the conduction of peaceful nuclear explosion by India in 1974 evoked critical comment from the Japanese leaders as well as press.

In Kampuchea crisis India and Japan also found themselves at different ends due to the ouster of Norodom Sehanauk and the installation of new government under General Lon Nol in March 1970. In this crisis United States and South Vietnam provided support to Lon Non and North Vietnam, China and the Viet Cong backings Sihanouks government in solving this complicated problem. In this crisis India played an important role, was the view the complete withdrawal of all foreign troops from the conflicting area and demanded a high level conference of big power. On account of it a conference was held in Jakarta in 16-17 May 1970. Japan was invited there, but was hesitate to accept invitation as India was reluctant to go. At the last movement Japan went their, out of their desire

as acquire a status of big enough to solve difficult political problem in its neighborhood.

Jakarta meeting was a success which was attended by eleven nations who agreed to maintain its sovereignty independence, neutrality and territorial integrity of Kampuchea (Cambodia's).

There was no significant change to promote Indo-Japanese relations during the 1970s. The trade and economic relations continued to grow but political and diplomatic relations remained frozen as before. The main reason of it was that India's economic performance remained indifferent and was not able to keep pace with the speed at which Japan was moving ahead. A different picture was seen in 1960s. Japan's economic development was visible in GNP and trade performances. It was very much ahead of India. Its international standard grew proportionally to its economic strength.

Coupled with the U.S. Japan's mutual security pact of 1960s also played an important role as both required help of each other.

In the 1970s more important decision took place. Japan placed itself in a mid position between the United States and China forming an important link between its continental neighbors and its pacific partners. The efforts of Japan and United States became a success in normalizing the relations with People Republic of China (Feb and Sept. 1972) and

conceded that blocking hegemonies (another name for the Soviet Union) in East Asia was a desirable goal. The signing of peace treaty with China in August 1978 brought in to sharper focus the emerging Sino-Japan structure²⁶.

China was already having anti Soviet attitude due to border clash in 1969 become closer to United States. She stopped talking about US imperialism and revival of Japan militarism and implicitly approved of Japan's alliance with the United States. It legitimizes the arm for self-defence and strengthens its self defence forces. These growing Sino-Japanese relation gave confidence to Japan to extend its diplomatic relations in South East Asia²⁷.

At that time India drew towards the Soviet Union as China and Japan drew towards United States. It had a deep impact on Indo-Japanese relations during that era, which is worth mentioning.

But no doubt India and Japan was an ancient civilization of the world. They were emotionally, culturally and religiously close to each other since the Buddha period. Sometimes political and diplomatic relations were not as good as economic and trade relations. The trade and economic relations were the basic tenets to improve the standard and economy of a country. And no doubt Japan was often ready for support to improve the trade and economic structure of India.

As far as economic development was concerned, one significant point should be mention here in 1965. India and Japan agreed to hold annual Indo-Japan function alternatively in New Delhi and Tokyo. It was important step which helped policy makers of these two countries to promote the historical relations and also to exchange views on Asia and world problems. Both the countries have similar opinion in non proliferation of nuclear weapons. In 1978 India with other nations sought to move a resolution in United Nations General Assembly declaring threat and use of nuclear weapons as crime against humanity and wanted to, totally eliminate the nuclear weapons which lead to destruction of humanity.

There was a lot of contradiction regarding the signing of NPT. The big power often pressurizes India to sign non proliferation treaty but India was not reluctant and denied because India wanted total eradication of nuclear weapons. And also stressed the point all should be considered equal in International arena. The countries those who have developed nuclear technology and nuclear weapons defended themselves by saying it is for peaceful purpose. On the contrary same argument followed by India that she is also developing nuclear weapons for peaceful purpose and responsible to maintain peace and stability as a big power in Asia. Japan having closer link with the USA often pressurized India to sign on

NPT. The impact of it was not only political and diplomatic but was also related to trade and economic relations. Japan was unwilling to invest in Asia, particularly to India due to low level of Indian industrial infrastructure. This can be understood easily by import/export table, given below:

Table I
Percentage of Japan in India's total import and exports

Years	Import	Export
1959-60	5.3	7.2
1960-61	5.2	7.9
1961-62	5.7	6.2
1962-63	5.1	4.7
1963-64	5.5	7.1
1964-65	5.6	7.6
1965-66	6.2	6.9
1966-67	5.6	6.5
1967-68	5.1	11.0
1968-69	6.6	11.5
1969-70	4.3	12.2
1970-71	4.6	13.9
1971-72	8.4	11.6
1972-73	9.2	11.1
1973-74	10.0	14.1

Source: compiled and computed from various issue from 1960 to 1975 of direction of trade statistics IMF year book.

As for as the figures are concerned there was fluctuation in import and export as far as the demand was concerned. During 1959-60 the import was of 5.3 percent which become more or less double in 1973-74 about 10.0 percent similarly export in 1959-60, was of 7.2 which also

become double as table shown. So we can say with the demand of the time export and import also increase and decrease.

In the 1980 there was a considerable increase in trade between India and Japan. But balance remained in favour of Japan due to rapid growth of economy. While Japan's share in India's external trade was around 10 to 12 percent. India's share in external trade of Japan was below one percent. We can say in other words in 1980s India remained an importer of Japanese goods. The main imports from Japan to India were industrial goods, heavy chemical industrial products, metal goods and machinery. But India exported only raw material to Japan²⁸.

During this period Japan was inclined to establish her relations with the countries which were rich in mineral resources. Japan's policy of distributing aids to those countries concentrated its aid policy to promote trade relation with the region was seriously criticized.

Table-2

The total trade of the world, India and Japan the bilateral trade between India and Japan and their growth rate

Year	World trade		Indian total trade		Japan total trade		Bilateral trade between India & Japan	
	Million	% of growth	Million	% growth	Million	% growth	Million	% growth
1974-75	1630700		10562	113574			974	
1975-76	1849100	+13.5	10122	-4.2	132211	+16.4	894	-70
1976-77	2117100	+14.5	12689	+25.5	150409	+15.3	1063	+18.6
1977-78	2450500	+15.8	14447	+13.8	178238	+16.9	1231	+15.8
1978-79	-	-	-	-	-	-	-	-

Source: compiled and computed from various issues from 1975 to 1980 of Direction Of Trade Statistics (DOTS) IMF year book.

In mid 1980s efforts were stopped to maintain closer relation with Japan. The leader of India and Japan exchanged visits and explored the possibilities of closer economic ties but much progress could not be seen due to lack of interest shown by Japanese industrialists who wanted to invest in India. In fact the instability in India after the election of 1989 influenced the Japanese to remain away from Indian market. But with the emergence of technology, highly sophisticated system of communication made the world a global village. In this global village the congress government in 1991 adopted a policy of economic liberalization. It provided a new opportunity to business tycoons to invest in India. A lot of Indian delegates visited Japan to attract Japanese investment, business and industry²⁹.

In 1980-81 India's share came down to 2.2 percent and her share hardly moved up to 2.6 percent in 1989-90. This slight improvement occurred due to increase blow during the second half of the 1980s. India did figure among the ten major recipients of Japanese Bilateral Official Developmental Assistance between 1986 and 1989 until it went off the list in 1990 (Government of Japan 1990, 44). Since 1986 Japan has become India's largest bilateral aid donor. Of the total net disbursements of ODA to India from all source, Japan provided only 0.2 percent in 1981 and not

more than 1.2 percent in 1985. This follows a spurt in 1986 and further escalated to 14.37 percent in 1989³⁰.

Expectedly, much of this flow was in the form of ODA loan of the total net disbursement of ODA loan to India in 1986. Japan's share was more than 15 percent which rose 28 percent in 1989 of the DAC total, of ODA loan to India. Japan thus accounted for more than half in 1989.

In the total flow of grant to India's share of Japan was however not more than 3 to 4 percent during the half of 1980 than earlier was less. In other words we can say in list of priority orderity, India's position declined during the period of 1970s and the first half of the 1980s. But since mid 1980 a considerable talk took place from the Indian points of view. Japan has emerged as the largest source of bilateral ODA in the form of yen credit³¹.

In 1958 India was the recipient of Japan's, first yen credit. Since that time India regularly enjoyed the yen credit. After the 20 years Japanese grant aid was committed for the first time in 1978-79. Since that time aid has regularly flowed.

In the appendix table BI researcher tries to present Japanese bilateral ODA covering the period of 1958 to 1990 subdivided according to India's five year plans³².

Table BI

Growth of Japanese ODA commitment to India, 1958-96

Plan	Year covered	No. of year	Total at the end of the period (million)	Percent increase over previous
Second Plan	1958-61	3	166087	-
Third Plan	1961-66	5	9410986	+467
three annual plan fourth plan	1966-74	8	18744885	+99
Fifth plan	1975-80	5	18456797	-1.5
Sixth plan	1980-85	5	18001800	-2.5
Seventh plan	1985-90	5	41813800	+132

Source: See reference No. 30, P-296

Table B2**Utilization of Japanese aid by India 1958-90 (1958 to 31st March 1990)**

Category of aid	Commitments	Order Placed	Disbursed	Balance	Balance
1	1	2	3	1-(3)	(2)-(3)
Debt relief (loan)	96.69	96.09	96.09	0.00	0.00
Commodity loan	290.78	290.78	290.78	0.0	0.00
Project Loan	595.04	359.10	328.20	266.84	30.90
Grants	44.83	38.96	41.10	3.23	-2.20
Total	1026.74 (100.64)	784.84	756.17 (73.65)	270.57 (26.35)	270.57 (26.35)

Source: Fill data Department of Economic Affairs, Ministry of Finance, Government of India.

Note: This is about 45 percent of project loan commitment

As we have seen in table 1st since the beginning of India's relation with Japan ODA was growing upwards but from 1960 to 1970 she lost her position. But from the mid 1980 she was considered amongst top ten priority list. We have studied through the table that the debt relief loan and commodity loan virtually ceased to flow from 1978-79 onwards were fully utilized. On the other hand about 45% commitment loans and project loans remained unutilized. It is due to India has rather been poorly prepared to absorb project aid commitment which escalated during 1985-90³³.

In 1984 Prime Minister Yasurio Nakasone visited India after 24 year of gap. It was a Prime Minister level visit. Nakasone was too much passionate to promote a good relation with India. He felt that Japan is an

economic giant playing an important role on the world stage, and developing good relations with India as India is second largest democracy of the world and leader of Non-Aligned countries. In a memorable address to our parliament he declared, I have come to build a new cooperative relationship befitting the coming centuries, between the two most powerful democracies in Asia, Japan and India. I have come to forge Japan India relations which will promote development of our two countries. They will also contribute the peace and prosperity of Asia and the world³⁴.

In 1985 Indian Prime Minister Rajiv Gandhi visited Japan. It was a successful visit as far as Japanese aid to India was concerned. There was a fixed aid from the long time about 30 billion yen per annum has become doubled in 1986. It had continued to increase around 120 billion yen (\$14 billion) a year. In 1990 Prime Minister Toshiki Kaifu visited India. It was his first Prime Ministerial visit to an Asian country and suggested Indian parliament as the venue for making a policy speech on Japan and South Asia. Former Prime Minister of Japan Noboru Takeshita, has attended Rajiv Gandhi's cremation in 1991. Earlier in 1988 Rajiv Gandhi visited Tokyo to inaugurate the festival of India in Japan. Takeshita as Prime Minister realize that we should develop a friendly and cooperative relationship with India as one of the pillar of our foreign policy³⁵.

The Indian Prime Minister Rajiv Gandhi visited Japan thrice from 1985 to 1988. India expressed sorrow on the demise of emperor Showa and also wished emperor Akhitos for the enthronement ceremony by Indian President R. Venkat Raman. India also awarded a degree of Padma Bhushan to two Japanese dignitaries for the first time.

Culture played an important role in promoting the India Japanese relations like mounted a memorable Japan month in India in 1987. On account of it India celebrated a six month long festival of India throughout Japan in 1988. Around 30 cultural programmes were celebrated covering 31 cities of Japan and attract around 1.1 million people. There programmes was seen on TV Radio etc. Thus cultural played exchange an important role in promoting tourism as well as cemented unity between the people of India and Japan.

India welcomed the rising change initiated by Japanese business community which was a favorable step to integrate India's into the world economy. This radical change played an important role to liberate India's economy, foreign investment policy, export, import policy and industrialization strategy. Globalization not only influenced the countries of the west but also a strategic shift took place in India's economic policy too.

The official visit of Rajiv Gandhi to Tokyo in April 1988 resulted into a dramatic and revolutionary development in Indo-Japan relations which opened a new chapter between the two countries in the twenty first century.

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Chapter II

India-Japan Economic Relations

CHAPTER-2

INDIA-JAPAN ECONOMIC RELATIONS

The era of 1990's has witnessed the end of The Cold War and the scaling down of both old political division and conflict which was the hindrance in the growth and development of economic activities and interaction at the regional as well as global levels. Due to Cold War the countries like India could not expose their potentiality for promoting better relations with emerging super powers like Japan and, last many years unable to benefit from their large reserved of capital, superior technology and management and marketing skills.

In July 1991 India launched a systematic economic reform with the major aim to integrate with the world economy to enhance productivity, efficiency and competitiveness. Japan realized India's policy of reformation and Japan's business community started looking afresh at the potentials of trade and investment linkage with India. Japanese delegation started to visit India. This was a good sign to boost Indo-Japan economic relations.

India was 10 years behind China to adopt the "Open Door Policies" as a means to associate herself in this new economic world order. The East European countries' economy have broken down on one hand and a

dynamic Asian economic zone including China has emerged as one of the powerful giant in Asia on the other hand. This time India had no option but to liberalize or open up its economy was essential for the better future. India had to change its principle of economic management from “remaining backward centre to become a progressive periphery”¹.

The New Economic Policy (NEP) of Narsimha Rao government which started in July 1991 followed faithfully the structural adjustment programme recommended by the IMF and the World Bank. It included “economic stabilization” cum “deregulation” “liberalization”, “privatization” and “globalization” based on ideas of neo classical economies.²

The new economic policy was an important reform with the aim to open all the doors which was hindrance for the economic development of the country. The NEP was autonomously executed by the Indian government. India was keenly interested to initiate all those policies and programmes which paved the way for the economic development. India was succeeded and able to achieve high credibility in international society.

The last two years have seen a systematic and simultaneous increase in value of trade, Foreign Direct Investment (FDI) and Official Development Assistance (ODA) between India and Japan. It paved the

way of new economic interdependence and co-operation in the twenty first century. This can bring global peace and prosperity and shall be regarded as an Asian century.

India is a leader of nonalignment countries and the major instrumental power in the region. She wanted rapid development in her economy, improved infrastructure and also wanted to join the policy of the liberalism as the world order was demanding. As in the global world, where every country's strength, power and potentiality is determined by it's economy, by it's infrastructure, by it's latest technology and also by the potentiality of their peoples.

The era of 1990's had been very eventful and was turning point for India's economic system. The disintegration of the Soviet Union create a vacuum in the balanced world system and forced India to think about the much needed and demanding economic reforms pursued by the Western World. The Indian leaders initiated Look East Policy as a major decision for the rapid development of our economy and enhancing economic co-operation with both East and South East Asian countries.

With the collapse of Cold War structure, the world politics was driven by economics and market forces. This lead an open door to all for the economic development. At that time India and Japan was keenly interested to develop their economic relation as India was facing a grave

economic crisis. Before 1990's India was too close to Soviet Union and regarded its brand of socialism, but the post Cold War era is witness in changing the Indian economic policies because Japan turns to the lucrative markets of East and South East Asia for the transforming economies of Malaysia, Korea, Indonesia and Thailand.

In 21st century India and Japan are at the crossroads. Disintegration of Soviet Union and India sought support from Japan as one of the economic giant in the world. At that time India have had a desire for the Japanese investment. Initially Japan did not agree to invest, as India was influence by the brand of socialism, but later Japan agreed and showed and developed trust and thought India's reform was real. India had been motivated by Japanese growing market and attracted its skilled manpower and managerial talent. India stated to emphasis Japanese technical features which contribute to make Japan an economic giant in the world. India had tried to adopt these technical features as well as policies and programmes which were pursued by Japan. India also interested to win the trust of Japanese for rapid economic development.

Japan being an Asian country has been influence by India's effort for development. Japan has developed partnership with Indian companies for the recruitment of Indian Engineers and Technicals. Japan started to impart Japanese language training to understand Japanese and practical

training in Japan. At last they were send back to India to work for Indo-Japanese joint company collaborations.

Japan's economic history saw lots of ups and down since the end of The Cold War. After the Second World War more than three decades was characterized by the solid economic growth, but the period of 1990's was not favourable for the Japanese economy due to recession. Japans GDP grew at just 1.5 percent in 1992 which was the second lowest growth rate after 1985. And again in 1999-2000 Japanese economy grew up by 0.6 percent.³ Due to all these factors a lot of questions raised, why Japanese economy reduced suddenly. The economist blamed speculative bubbles and poor economic policy of Japan behind this ups and down in Japanese economy.

At that time India was not in such a position to join either of the blocks because of external aggression sometimes by Pakistan, some times by China in addition to economic crises. So it was better to keep good relation with both the blocks to avail opportunities and assistance for the development.

Japan is one of the leading economic super power and trading nation. This has been possible due to so many factors like inductive planning for the economic restriction on the possible competition between the two most important aspect (firm and imports) a little interest

rate and minimum control on the firm and industry. All these factors contributed to make Japan a global force or a global economic power.

Japan's economic policy makers formulated market oriented policy to deal economic issues based on trade, liberalization, economic privatization and reducing fiscal deficit.

These policies played a pivotal role in establishing the base of economic growth in Japan. The economist kept an eye on the fluctuation of the global market and adopted those policies and programmes in relation to these changes in international market. The manufacturing industries in Japan constituted 1/3 of the total Japan GDP.

As far as the recent report of Japanese imports were concerned that was dominated by food and raw materials particularly mineral and fuels. It's was good sign for the major producing nations of food and minerals. Japan is being very much calculative and practical in business, emphasized on the reduction of tariff & non-tariff from the major exporting countries especially India.

India as a result to these changes in business and economic policies began to enhance its exports of traditional or farm items to earn a good amount of foreign exchange.

Today Japan is one of the economic superpower in the world, had been playing a considerable role in the interest of India's economy. Her

economic, technical and industrial potentialities are being considered in this global world and are facing serious challenges from most advanced Western countries. India being one of the most important country in Asia had shaken hands with the developing countries which are made efforts to attract foreign investment and developed trade relations with other countries including Japan.

India and Japan were the largest and oldest trading partners since 1980's, and since 1991 an influential traffic between two countries had been started. Both India and Japan wanted growing trade, (import and export) of goods but unfortunately Indian goods had not been much influential in Japanese market. India having a share of 0.7 percent in the total Japanese global trade, maintained twentieth rank among Japanese trading partners. Japan stands as a third exporting partner for India after the U.K. and USA. Due to fluctuation in Japanese economy both exports and imports from India got a jolt and declined between the period of 1997 and 2002. Japan's positions then gone down from third to sixth in Indian imports.

India and Japan are one of the important trading partners and a lot of things being imported between the two countries like cashew, nut, organic, reclaimed rubber, silver and gold, chemical iron and steel electrical machinery, metal scrap, transport equipment, synthetic and raw

hides, skin and related goods.⁴ This mutual process of import and export played an important role of strengthening the bond between the two countries. India a big market for the import of Japanese goods having second largest population of the world played a decisive role in maintaining good relations with Japan.

Japan not only maintained but still has a good relations with India in field of trade, investment, import and exports but also provides Official Development Assistance for a number of projects. Presently India is one of the top most recipients of the Japanese ODA. ODA has been always a primary key of Japanese policy making process.

India's programme of economic liberalization not only attracts large amount of Foreign Direct Investment (FDI) from Japan but also seeks increased trade and economic relations. The Japanese Prime Minister Junichiro Koizumi visited India in April 2005, laid emphasis on economic ties to develop India Japan relations. He said that economic ties are important to control to strengthening the global partnership established by India and Japan five years ago. He further added," our economic relations are blessed with a huge potential but perhaps the business community of the two countries have not woken up to the possibilities.⁵

This particular statement made by Japanese Prime Minister not only laid a strong foundation to develop a better and strong economic ties between the two countries but also emphasized on strategic, bilateral relations with it. Both the countries want to develop trade and commerce by improving the potentiality in the field of FDI.

Japan provided a lot of official and non-official assistance to India for different projects like power sector, infrastructure, health, sanitation, environment, transportation etc for the rapid economic development of India.

Japanese trade, imports and exports, investment and aid to India have been increased in recent years. It gave a positive response for the future India-Japan economic relations. From all these facts both the countries have fair attitude and closeness in developing economic relations. In order to clearly understand India-Japan economic relations, it is essential to study each and every component separately which constitute and enhance co-operation between India and Japan.

JAPAN'S OFFICIAL DEVELOPMENT ASSISTANCE (ODA) TO INDIA:

Famous political thinker Aristotle has said that man is social animal and everywhere he is in chain. As a social animal he needs cooperation, help for the survival in any kind of society. Similarly aid in

political sense is a kind of be it cash or kind, an assistance to the poor man or country to fulfill its needs and development. In other words the developed countries or rich countries of the world grant aid and assistance to the weak and the poor country.

In concise manner, foreign aid is an assistance which is given by richer countries to the poorer countries in the form of money, technical assistance, food, capital equipments etc. The foreign aid can have three categories - Development assistance, humanitarian, and emergency assistance and military assistance.

Development assistance emphasizes on infrastructure projects, good governance and long term investment in education and health care. It directly supports economic growth and sustainable economic development. Humanitarian and emergency assistance granted for the regional and national crisis like natural disasters, civil conflicts or war. Humanitarian and emergency assistance target food, medical, Personnel and supplies and temporary shelter like in 2004-05, billions of dollars granted by the global community to the nation's damage by a catastrophic Tsunami in Western Asia. Military assistance promotes peace, stability and internal security by reducing conflict between or among the countries.

Foreign aid is the most important issue in the global economy. A lot of foreign aid comes from the rich countries which constitute the Organization for Economic Co-operation and Development (OECD). Within the OECD is the Development Assistance Committee (DAC) which plays an important role to coordinate assistance from the richer countries.

DAC provide two types of assistance - Official Development Assistance (ODA) and Official Assistance (OA).

ODA is an important gift which is granted to needy countries for the economic development. ODA includes food, health aid, capital project, emergency relief, peace keeping activities, technical aid, educational aid, power project, environmental project etc. OA having a same function as ODA contributes for the development.

ODA recipient countries are generally developing countries. These countries seek aid from the top most advanced, industrialized, economic giant of the world like America, Japan, Italy, Germany and United Kingdom.

Japan as the second largest economic giant in the world played a considerable role in developing economic and trade relations with Asian countries specially with India. India is a market for importing raw materials and goods as far as their size of population is concerned.

Japanese economic policy makers are very clever, while initiated any economic policy they keep a vacuum for aid in making their policy and programmes. Japan used aid as a major key to establish its economic relations with developing countries, because economically and financially they are not self sufficient and seek aid from developed countries. Japan is aware about the requirement of the developing countries of Asia. She being practical gave a large amount of ODA on the developing countries specially India.

Japan is one of the leading donor country in the world of ODA. She provided a lot of ODA to the developing countries since it became economic giant. But with the end of The Cold War, their policy of granting ODA has been changed. Japan has associated its ODA policy with socio, political and strategic aspects. She granted ODA to those countries which fulfilled the following criteria -

Criteria for Granting ODA: Japanese ODA charter clearly mentioned five principles to grant the aid for the developing countries-

- a. It includes good governance as national system directed towards democratization.
- b. Attention to multilateral expenditure by the aid recipient.
- c. Attention to its attempt to developed and Manufacture weapons of mass destructions and missiles.

- d. Attention to its imports and exports of arms etc.
- e. And attention to the security of human right and freedom.

The charter pointed out that careful attention should be kept on these aspects while granting ODA.⁶

The Japanese diplomats often associated ODA with the goal of disarmament while granting the aid in the sub-continent. In 1992 Japan postponed to sign the Yen loan during the visit of Pakistani Prime Minister Nawaz Sharif in Tokyo due to comment made by him on nuclear capability. Japanese government always stressed on India and Pakistan to sign the NPT for continuing the supply of aid. She always demands to both the countries to maintain transparency in exports and imports on nuclear technology. She also wants international inspection on nuclear facility for the better future.

Japan is a country which believes in democratization of all natural and mineral resources. She looks forward and wants rapid economic development of Asian countries. She applies different measures for the fast economic development of India and other Asian countries by reducing the interest rate of the new Yen loan from 2.6 to 2.3 percent. In addition to it India's share in the grant assistance of Japanese ODA has been rather modest. When one compare the other countries in ASEAN region, India having a high share of loan in proportion to grant in aid and

technical cooperation. During 1991-92 India received only 2.9 percent and 5.6 percent of the grant on a net payment basis. On the contrary to it Philippines received 13 percent and 10 percent of ODA grant comparatively figure, China also higher as 9.6 and 6.8 percent. The share of technical cooperation has been even less.⁷

The economic relations between India and Japan basically centered round Japan's ODA to India. The total ODA positioned India's loan in the fourth rank, whereas in relation to grant, India's position fell down to eighteenth as far as grant was concerned and even lower as far as technical cooperation was concerned. Several important projects have been undertaken in India through the grant in aid like, improvement in education, media, and promotion facility for Indira Gandhi Open University, the construction of Nizamuddin Bridge across river Yamuna. The Japanese grants have also been extended in Jawahar Lal Nehru University in 1991-92 and other kinds of occupational grant also gave to buttress so many other educational institutions in India.⁸ Japan's role are comprehensive in providing and promoting visible and non-visible projects for the upgrading of Indian economic structure as well as living standard of the Indian peoples.

When we talk about Japanese aid on ongoing project, we find out process of utilization like in the 1992, there were total of 37 such projects

in which 15 were under the execution of central government agencies and 22 by the state government agencies. There was less projects being properly implemented. Added to it Japanese government concentrated its aid policy to the least countries since 1992.

India presented a proposal to the government of Japan in January 1992 that Japan should actively provide aid for the improvement of infrastructure with a view to developing the industrial basis of India. She also request to offer detailed guidelines and suggest on the problems but India has been able to convince Japan with its promise to properly utilize ODA by the effective implementations of aid projects and programme.

Japan's entity to support India in the establishment of multilateral development contributed a lot of funds. Japan provided ODA to enable India to become a mere liberal economy so that both enjoy the benefit of liberalization. Both the countries having obligations and expectations to become an important vibrant partner in triggering and sustaining a growth process in Asia. Both the countries played a pivotal role in sustaining the global development process.

WHY JAPAN PROVIDES ODA TO INDIA:

Japan has provided aid and assistance in the form of ODA due to following factors.

1. Historically and traditionally India and Japan enjoyed friendly relations as well as share a common culture.
2. India is one of the important country in the South Asian region economically and politically.
3. India is promoting the development of market economy including active efforts towards economic liberalization and political independence.
4. India is a big market for import and export.

JAPAN'S PRIORITY AREA FOR ODA:

Japan's priority of assistance on the following fields:

1. Upgrading of economic infrastructure, improvement of electric power and transport facility.
2. Alleviation of poverty: Public health and medical care, agricultural and rural development, population and AIDS counter measures, support for small business industries.
3. Environmental conservation: Anti pollution measures, improvement of water quality, water supply, forestation of urban environment.⁹

Japan played a significant role in providing development assistance to India. It was raised time to time like in 1990s it was Rs. 1250 Crore. In 1993-94 it was 3230 crores and rose further to Rs.4140 crore in 1996-97¹⁰.

Japan has provided a valuable assistance for the development of industrial infrastructure, like fertilizers, petro-chemicals, and automobiles. She also provided assistance as well as techniques of transportation like “Metro” in Delhi which has become one of the important and easiest means to visit the peoples around the Delhi.

India has become one of the topmost recipients of ODA among the top five countries of Asia. India has maintained fifth rank in 1993, second in 1994 and fourth in 1995 as table 1.1 shown.

Table 1.1
Top five recipients of Japanese ODA
(US \$ million)

1993	1994	1995
China 1351 (16.5)	China 1479 (15.3)	China 1380 (13.1)
Indonesia 1149 (14.1)	India 887 (9.2)	Indonesia 892 (8.4)
Philippines 758 (9.3)	Indonesia 886 (9.2)	Thailand 667 (6.3)
Thailand 350 (4.3)	Philippines 592 (6.1)	India 506 (4.8)
India 296 (3.6)	Thailand 382 (3.9)	Philippines 416 (3.9)
Total – 8164	9680 (100.00)	10.557 (100.00)

Sources - GOJ, Ministry of Foreign Affairs, white paper of Japanese ODA 1996.

During the visit of Japanese Prime Minister Kaifu of four Asian countries including India in 1990. He emphasised the promotional and

traditional exchange and cooperation to strengthen. He also promised to supply of 100 billion Yen loan to India. In 1991 Japanese government supplied US \$ 600 million as a contingency BOP when India was under the crisis of external debt.

When we study Japanese ODA to India more than 95 percent of Japanese ODA to India was in Yen loan both before 1990 and after 1990s. In the composition of Japanese ODA, the share of grant was constant as more or less 4 percent as in table 1.2 shown.

In comparison to India's Composition of ODA to other countries like UK, USA, Canada, Denmark, Holland, Sweden are different which was in the form of grants

Table 1.2

Year	Loan %	Grant %	TA %	Total
1956 - 1990	11578 (95.3)	493 (4.1)	81 (6.7)	12093 (100.0)
1991	1066	81	8	1095
1992	1119	43	11	1173
1993	1196	42	10	1248
1994	1258	34	12	1304
1995	1288	36	11	1335
1991 - 1995	17445 (95.6)	664 (3.6)	137 (0.8)	18246 (100.0)

Sources- Govt. of India, Ministry of Foreign Affair, White Paper on Japanese ODA 1996.

India and China are the major countries in Asia which received a huge amount of ODA from Japan. Between the 1985 and 1993 China received about 11.9 % of Japan's ODA each year and India about 4.4 %. But at the same time Japans ODA to India increased subsequently.

Japans ODA to India have risen immensely since 1990-1991. Its share in the total ODA jumped to 21.0 percent and maintains that level up to 1992-93. It jumped again more than 30 percent of the total or the three years from 1993-94 to 1995-96 as shown in table 1.3.

Table 1.3

Years	Total	Japan %
1990-91	8123	947 (5.7)
1991-92	12708	2777 (21.0)
1992-93	14094	2844 (20.2)
1993-94	14034	4343 (30.9)
1994-95	13460	4080 (30.3)
1995-96	12163	4676 (38.4)
1996-97	17141	4310 (25.1)

Sources- Govt. of India, Economics Survey (Various Years)

India is not only a single recipient of the Japan's ODA. In 1993 the top nine ODA recipient on a net disbursement bases were China (\$ 1350 billion), Indonesia (\$ 1148 billion), Philippines (\$ 758 million), Thailand

(\$ 350 million), India (\$ 295 million), Egypt (\$ 275 million), Pakistan (\$ 188 million), Bangladesh (\$ 185 million) and Sri Lanka (\$ 147 million).¹¹

Japan's concentration on Asia was reflected by public opinion that supported Asia as a priority region with 56.7 percent while only 16.6 percent were in favour of distributing equally to all regions. Africa received with 7.5 percent of highest other single region support from Japan. About 30 to 50 percent of capital flows to ASEAN countries in 1980s. Japanese 15% of ODA fund was reserved in the name of Indonesia and Malaysia and about 25% in the Philippines and Thailand¹².

During the period between 1986 and 1995 the countries of East Asia received the huge amount about 30 percent with states in South and Central Asia received the largest share about 22% of Japanese aid. At the same time proportion of Japanese aid directed towards developing countries in Sub Sahara and Latin America claimed at the consistence level of 12 percent and 10 percent respectively.¹³

The changing economic circumstances in the East Asia encouraged South Asian countries to liberalize the economy as a reform to get the attention of Japanese investors. This reform played an important role to attract Japan as a partner in the development effort in South Asian Nations. Japan attached a great importance to the economic and political

reliability in South Asia as instability in the region would be dangerous for the whole Asia.

The Dhaka declaration or soon after the establishment of SAARC, Japan started to provide assistance to SAARC region. India being liberalized and globalized her economy got a large amount of assistance from Japan. The other countries of SAARC influence by India's initiatives of liberalization of economy quickly followed the same as India did. The other SAARC countries also wanted Japanese attention for the economic growth and development by receiving aid. Japanese aid to these nations also rose frequently over the year 1990 decades.

Table 1.4
Japan's Aid to SAARC Countries
(1985-1999)

	1985	% of total	1993	%	1997	%	1998	%	1999	%
India	21.95	0.9	295.94	3.6	491.80	7.44	504.95	5.8	634.0	5.8
Pakistan	93.91	3.6	188.44	2.3	92.16	1.39	491.54	5.7	N.A	
Bangladesh	121.48	4.8	185.04	2.3	129.98	1.97	189.05	2.2	N.A	
Srilanka	83.74	3.3	147.20	1.8	134.56	2.03	197.85	2.3	N.A	
Nepal	50.74	2.0	110.89	0.9	86.15	1.30	56.88	0.6	N.A.	
Bhutan	1.59	0.1	10.71	6.0	11.86	0.1	13.20	0.1	N.A	

Sources- Sigdel B.D, Discussion on Japan's post Cold War economic development in Today (National and International magazine, vol. 19 No. 6 December 2001 P-21.

The table 1.4 clearly indicates up to 1985 Bangladesh attract towards Japan and got a big amount of assistance followed by Pakistan, Sri Lanka, Nepal, and India. They had received (US \$ 121.48 million), (US \$ 93.3 million) and US (\$ 83.74 million) and US (\$50.74 million) respectively from Japan in 1985, on the contrary the situation became reverse in the decades of 1990. India digests more Japanese bilateral aid. In 1993 India succeeded to get a large amount of US \$ 295.94 million worth of total Japan's aid. On the other hand the other SAARC countries as Pakistan got US \$ 188.49 million, Bangladesh US \$ 185.49 million, Sri Lanka US \$ 147.20 million and Nepal satisfied with US \$ 110.89 million Japan's aid in 1993.

Similarly Japan's aid to India frequently rose time to time. It was US \$ 504.95 million in 1998 and rose up to US \$ 634.50 million in 1999 respectively. This was a good signal to India for its economic development.

JAPAN'S ODA SEPARATELY FOR THE NUMBER OF PROJECT TO INDIA:

Japan is culturally and emotionally associated with India and aware about their problems like, population, health, poverty, sanitation, education, roads as well as industrial infrastructure. She directly provided aid and assistance for the various programmes as well as projects and also

insure that its assistance shall be efficiently utilized by the recipient country.

Mr. Hatano a diplomat with a long distinguished career of Japan was a special assistance to the minister for Foreign Affairs. He submitted a report to his government after consulting Indian leaders. He said initially Japanese government gave priority on the distribution of aid for road construction as well as infrastructure sector. But later Japan deeply thought about health, sanitation and medical care facilities because Japan having a capability to supply sophisticated equipment to various hospitals. Japan also liked to finance other infrastructure sectors which had been identified in consultation with Indian leaders.

On 30th March 1995 India and Japan identified the area where Japan's ODA would be earmarked. They concentrated on infrastructure sector particularly power and transportation, alleviation of poverty thorough project in the field and medical and health, agriculture and rural development. She also concentrated its aid for the population and AIDS control and preservation of environment project for the support of small enterprises. Japan emphasised speedy implementation of projects with its assurance that the ODA to India would be continue despite economic difficulties. But it should not be considered for defense expenditure as well as possession of nuclear or ballistic missile.

India has been criticized by the donor countries who have a doubt about the proper utilization of aid. She was also criticized by World Bank as it blamed India that she did not give much attention on primary education especially for women. But Indian government properly convinced the donors, that India has improved its aid utilization record and pointed out several projects in World Bank pipeline. It includes a \$ 100 million for National Agriculture Technology Project, a \$ 26 million IDA fund for forestry project in Bihar which aim to improve forestry management a \$ 26 million IDA financed for water resource project in Orissa under similar project in Andhra Pradesh. The estimate cost of these project was \$ 200 million etc.¹⁴

In spite of it India have been identified six project in agriculture and irrigation sector for a total of \$ 604 million, four in infrastructure sector for an estimated \$ 1550 million, four in power and energy sector for an estimated \$ 400 million and six in urban development and social sector for a total of \$ 1670 million. In 1994 Japan has promised India for an amount of Yen 125.765 billion and aid for 12 projects.¹⁵

JAPANESE AID FOR NATIONAL ARCHIVES:

On 15th June 1995 Japan has granted a package of 1.2 crore to be utilized for the national archives' of India to memorise the

contribution of eminent persons and promote the cultural and historical values.¹⁶

JAPAN'S ODA FOR RAJASTHAN:

On 9th June 1995 the National Capital Planning (NCP) has recommended Rs. 1 billion Japanese aid to three major development project for Rajasthan towns. The first project of Rs. 300 million was set up a 700 MGD capacity water supply plant for Alwar, second at Bhiwari of Rs. 170 million and third one at Kota of Rs. 650 million. These projects came under the National Capital Region (NCR), has been completed as official reported.¹⁷ It helps in supply of water and reduces a heavy burden of transportation.

JAPANESE AID FOR NIZAMUDDIN BRIDGE:

On September 1995 Japanese government granted assistance to India of Rs. 87.8 crore for the construction of New Nizamuddin Bridge at New Delhi.¹⁸ This was the first Japanese designed as well as built bridge in India. Such a legend work done by Japanese will always considered in the history of Indo-Japanese relations.

While Japan has globally one of the economic super power emphasis on industrial infrastructure for the rapid economic development of India, granted a large amount of funds.

In a press report on 18th November 1995 more than 40% Japan's ODA was fixed for economic infrastructure 20% to social infrastructure and one third to basic human needs were sanctioned during the crisis of 1991. Japan has also granted soft loan and concessional loans totaling of Rs. 4895 crore for the project in India for 1995-96.¹⁹

Japan provided aid in the form of loan or soft loan with a least interest and joined the club of multilateral donors. The nine assisted project came under the loan which included power, urban development, environmental and forest, water resources and steel sector and a line credit to Small Industries Development Bank of India (SIDBI).

Bureau report of 12th January 1996 says (IDBI) Industrial Development Bank of India received \$ 300 million aid from Japan in an agreement between EXIM I Governor Mr. H Yasuda and IDBI chairman and managing director Mr. S H Khan. The loan has been utilized for finance project power, tele communication, transportation, oil refining, steel and petroleum sector.²⁰

The UNI reported on August 29, 1996 that the Organization of Economic Co-operation Fund (OECD) a Japanese funding agency has funded 66.26 percent of total cost of the Mass Rapid Transit System (MRTS) project in the capital. The estimate cost of this project was of Rs. 4182 crore. The remaining balance cost 33.74 percent came from

properly developmental channels and from government of India as well as government of New Delhi.²¹

On September 20th, 1996 Japan had announced a package of 135.4 billions of official development assistance by increasing 3.1 percent in comparison of previous year to India. It comprises soft loan, grant, technical cooperation and development research assistance.²² Japan provided aid and assistance and got a little interest so that both the countries could be beneficial from each other. Japan granted a big package of Rs 394 crore for the construction of Rajghat canal project in Madhya Pradesh. Its estimated cost was Rs. 522 crore. The remaining cost of Rs 128 crore was spent by state government.²³

In a press report on August 23, 1997 Japanese government announced Rs. 400 crore aid programmes for 2500 irrigation tank in Tamil Nadu. This programme started from April 1998, targeting to prepare over the next 10 years.²⁴ It benefited the farmers in particular and the common man in general. Except it Japan also provided a lot of assistance to social organization for the upliftment of women as well as children. In a press report on 6 December 1997 the two voluntary organization of India received grant assistance for Grass Root Project (GRP) from the Japanese government organization one was working for the blind in the branch of Tamil Nadu state, who receive a grant of \$

90.507 and the other Asha Niwas social centre got \$ 86.884. The grant for the blinds was for the accommodation of the blinds so that they became trained in order to earn their livelihood. The government concentrated to prevent blindness by organized the eyes camps from the grass root level. The social project concentrated its grant or non formal education like, health care, health education, facility for recreation and vocational training etc. In South India five projects has been received assistance to the tune of \$ 406.000 in 1997 under the GGP scheme.²⁵

TURNING POINT BETWEEN INDO-JAPANESE RELATIONS:

India is the top most recipient of the Japanese ODA since 1991. Japanese assistance to India has been increased Rs. 2677 crore to Rs. 4110 crore in 1997-98. But during the next three years it declined due to Japan imposed sanction in the post Pokhran II period which as shown in (Table 2.1).

Table 2.1
Authorization of External Assistance to India
1991-92 to 2000-01

Y e a r	T o t a l (R s C r o r e)	J a p a n	%
1 9 9 1 - 9 2	1 2 7 0 8	2 6 7 7	(2 1 . 1)
1 9 9 2 - 9 3	1 4 0 9 4	2 8 4 4	(2 0 . 2)
1 9 9 3 - 9 4	1 4 0 3 4	4 3 2 4	(3 0 . 9)
1 9 9 4 - 9 5	1 3 4 6 0	4 0 8 0	(3 0 . 3)
1 9 9 5 - 9 6	1 2 1 6 3	4 6 7 6	(3 8 . 4)
1 9 9 6 - 9 7	1 7 1 4 1	4 3 1 0	(2 5 . 1)
1 9 9 7 - 9 8	1 6 9 6 6	4 1 1 0	(2 4 . 2)
1 9 9 8 - 9 9	8 5 3 1	5 1 7	(6 . 0)
1 9 9 9 - 0 0	2 0 3 1 9	6	(0 . 2)
2 0 0 0 - 0 1	1 8 1 2 5	7 8 6	(4 . 3)

Sources- Government of India economic Survey 2001-2002, New Delhi Ministry of Finance 2002 IPS - 95 & S 97.

The Chief Cabinet Secretary of the Ministry of Foreign Affairs of Japan regretted over India's nuclear test conducted in Pokhran on May 11, 1998. After that event Japan made itself the part of that global forum favoured ban on further testing. Subsequently accordance with the principle of the ODA charter, Japan imposed a series of economic measures.

Japan suspended \$ 26 million in grant and \$ 98.6 million in loan for India. The amount suspended 27.2 % of all loans and 8.3 % of all

grant received by the Indian government in 1997 fiscal year. Japan also withdraws its offer from the Annual Indian Forum (AIF) to bring together aid donors. Japan imposed a set of identical sanction against Pakistan. Analyst expects that this sanction gave severe impact to Pakistan than India because Japan was the largest aid donor to Pakistan. Japan allocated \$ 41 million in grant and \$ 230 million in loan at the time of sanction in fiscal year 1997.²⁶

IMPACT ON 11 SEPTEMBER 2001 ATTACK ON INDO-JAPANESE RELATION:

The Japanese non proliferation diplomacy took a sharp turn after the 11 September 2001 attack. It was regarded as turning point in this transformation. The terrorist attack on the World Trade Centre (WTO) and Pentagon not only reviewed the Japan sanction policy on South Asian nuclear culprit but also the event made drastic change in Japan defense and security priorities. In the aftermath of the September 11 terrorist attack, Tokyo decided to withdraw economic sanction imposed on India and Pakistan because Pakistan was the close ally of the United States of America and was severely suffered economic crisis. Due to it India benefited and the process of ODA again started in 2001-2002. Subsequently, India received maximum aid from Japan.

The normalization of geopolitical and strategic consideration between India and Japan provided 95 percent in Yen loan 4 percent grants and 1 percent technical assistance under the ODA.²⁷

The government of Japan extended ODA loan to India on 29 March 2001 which compressed Yen 18926 million (which was approximately equivalent to Rs. 720 crore) for Simhari Thermal Power Station project (Phase II) and Delhi Mass Rapid Transport System (DMRTS) (Phase II). Both were ongoing project. Japan also provided emergency assistance of Rs. 28 crore following the Gujarat earthquake.²⁸

The major chunk of Japanese ODA was spent on poverty, alleviation, health, and medicare, rural development, natural disaster, population control, AIDS control project, irrigation ports, transport, power and environment project etc. But Indian nuclear explosion of May 1998 created problem, as Japan started questioning on the effective implementation of such ODA. Utilization of ODA given in Table 2.2.

Table 2.2
Utilization of External Assistance by India
1991-92 to 2000-01

Year	Total	Japan %
1991-92	11615	1969 (73.5)
1992-93	10982	1369 (40.1)
1993-94	11781	3355 (77.5)
1994-95	10881	2212 (54.2)
1995-96	11022	2805 (59.4)
1996-97	11989	2083 (48.3)
1997-98	11745	2770 (67.3)
1998-99	13239	3089 (-)
1999-00	14405	3742 (-)
2000-01	14254	2729 (-)

Sources- Government of India, Economic Survey 2001-2002 (New Delhi Ministry of Finance 2002) P- S- 95 & S - 101.

No doubt India is one of the top most recipients of the Japans ODA since 1958. Japanese leaders also supported and cooperate in the development of India's economy and shown their willingness towards India.

Japanese Foreign ministry denied domestic news (Japan Times) saying that Japan being the world largest provider of foreign aid, decided to resume extending assistance to India which was suspended after India tested a nuclear explosion device in May 1998. It clarified that we will continue to monitor India's willingness to sign the CTBT.²⁹

Recently India has become one of the top most recipients of the Japanese ODA by replacing China. Initially Japan has provided ODA to infrastructure sector like tele communication, power, and transportation but later ODA extended beyond infrastructure. It includes forestation and preservation of cultural heritage like Ajanta and Allora. Presently Japan provided a big amount on the project like the Delhi Metro Railways and Yamuna Action Plan (YAP). The annual budget of ODA to India was around \$ 1 billion. Not only this, Japan has also provided ODA for the development of basic industries like fertilizers, Petro chemicals and automobiles. But Japan faces certain structural and financial constraints in it's ODA as the Reserve Bank of India (RBI) reported on currency and finance of 2002-2003. Official aid started losing its charm due to structural change in global capital flows, lack of materials resources, delay in project proposal and finalization of industries, lack of cost related tariff structure for power and delays in land acquisition. The Indian policy makers have been started repaying high cost debt and discontinued receiving aid from bilateral partners other than Japan, UK, USA, Germany and Russia.³⁰

In a joint press interaction which was held in August 12, 2004 at New Delhi, The Japanese Foreign Minister Mr. Yoriko Kawaguchi said that India had become the largest partner in Japan's ODA, and assured

that India's priority and policy on bilateral economic relation and ODA coming from Japan has not changed. Both the Indian External Affairs Minister K. Natwar Singh and the Foreign Minister of Japan M.S. Yoriko Kawaguchi has been agreed on increasing economic cooperation with mutual interest and maintains the continuity on the issue of ODA.

The Indian Prime Minister Atal Bihari Vajpayee visited Japan in December 2001, in response to it the Japanese P.M. Koizumi Junichiro also visited India after four year in April 2005 to boost up India-Japan economic relation in the form of trade and commerce. He granted Japanese ODA loan to India of about 125 billion Yen per annum.

Both the countries also wanted to become the permanent member of the Security Council. Japan as an economic super power provided a huge amount in the form of ODA to the developing country of Asia and Africa as a major region of the world in order to get the support in the United Nations Security Council (UNSC).

India is also one of the major country in Asia playing a dominant role in an international society. She provided assistance as well as solved a lot of crisis with the help of UN in order to get the support from the lot of countries to become the permanent member of UNSC. No doubt both the countries fulfill the criteria by showing our power potentiality in

different form to become the permanent member of U.N Security Council and cooperate each other.

Presently Japan has become largest ODA partner of India followed by the Germany and USA. The cumulative ODA disbursement of Japan till March 2006 amounted to 25008.3 billion Yen. Yen loan is one of the important parts of economic assistance to India. India has been the largest recipient of Japan's Yen loan for the fourth year running since 2003 (22 percent of Yen loan merely approved for fiscal 2006).³¹

The Prime Minister of India Manmohan Singh visited Japan in December 13 to 16, 2006 on the invitation of Prime Minister of Japan Shinzo Abe. He was accompanied by the high level delegation. Both leaders emphasised on the different aspect for economic development. The joint study of both the nation made a series of recommendation including role of Japanese ODA in promoting economic partnership and other area of economic cooperation. They directed all recommendation to be implemented with immediate effect. The leader of both the countries wanted the comprehensive economic engagement for the closer economic integration between India and Japan. It contributed to further growth and stability in the broader Asian region. The two Prime Ministers ready were immediately to launch negotiation for the conclusion of bilateral economic partnership agreement on the recommendation of joint study

group. India always appreciated Japan as he is the largest recipient of ODA, and Japan assured that India would be a priority country for its ODA. The two Prime Minister confirmed that Japanese ODA would continue to support India's effort to accelerate economic and the social development as well as further strengthening India - Japan partnership.

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FOREIGN DIRECT INVESTMENT TO INDIA

Japan is one of the economic giant, emerged as a major source of Foreign Direct Investment (F.D.I) out flows since the mid 1980s. Japanese corporations have become a major players in a number of newly industrialized and developing countries. Japanese corporation have also set up production bases in a large number of countries and dominate a growing number of market segments.

The experience of Japanese Foreign Direct Investment (FDI) Corporation shows that private investors from Japan have hardly invested in the infrastructure area in most Eastern and South East Asian countries. Infact, India was benefited for the infrastructure development due to Japanese ODA.

Japan has emerged as one of the key investor in India. Before 1991, Japan's investment in India compared to other source was rather small with the only exception of 1982 and 1983 when Japanese investment shot up to 26.5 and 15.9 million US dollars in those two years¹.

India has become one of the important destinations for investment. The big Indian market attracted Japanese investors to invest in India. A study on Japanese F.D.I. in India shows that 233 million Indians establish the broad market for manufacture consumer goods in which the size of core group ranges from 100 million for durable to 200 million for

consumer goods. Except it a survey conducted by EXIM Bank of Japan in 1995 had ranked India 7th amongst the most promising country for F.D.I ahead of Philippines, Singapore and the UK over the medium term. From a long term aspect India was ranked third ahead of even the U.S. Indian market has became too attractive to draw Japanese attention to invest in India with the passage of time².

“Japanese investors have shows consistent interest during the period 1991-95, out of the total 7201 approved foreign collaborations both by the Reserve Bank of India and the FIPB, Japan had 473 ventures (6.56 percent). It constituted about 4 percent of the total foreign investment of Rs. 387537.8 million during this five year period within this 473 ventures also the financial participation was in 327 and technical in 147 ventures³” see table (1)

The Japanese corporation invested in various areas like motor vehicles, chemicals including terephatic acid cotton and blended woven fabric float glass, electrical equipment including circuit breakers, electronic items, and household gadgets including washing machine, iron and steel goods including sheets metals and other technical metals and other technical services. These ventures were mostly located in Tamil Nadu, Andhra Pradesh, Maharashtra, Karnataka and Haryana⁴.



The development of Indo-Japanese economic relations depended a lot on what improvements were made in two way trade and cooperation to third world countries. The developing elements should be entered rather than being isolated. Today the world has become global world no country can survive in isolation. The following table will illustrate the facts and figures of countries and percentage of foreign investments from August 1991 to September 1995.

Table 1
Top ten countries sources of foreign collaborations (cumulative total of approvals by RBI and FIPB from August 1991 to September 1995)

Rank No	Countries	Number of Approval			Foreign Investment	
		Tech	Fin	Total	Value (mill)	%
1	USA	730	704	1434	116128.1	30.0
2	United Kingdom	437	368	805	37564.9	9.7
3	Japan	327	146	473	14944.6	3.9
4	Switzerland	154	140	294	13091.2	3.4
5	Germany	508	367	875	11988.1	3.1
6	Mauritius	04	53	57	11727.3	3.0
7	Thailand	19	27	46	10815.3	2.8
8	Netherland	157	191	348	8219.5	2.1
9	Singapore	56	140	196	8117.9	2.1
10	Australia	72	77	149	6188.7	1.6

Excluding following special categories					
1. Euro issues		14	14	59403.4	
2. Non resident Indian (from all countries)	4	454	458	24314.0	
Total (all countries and categories)	3487	3714	7201	387537.8	100.0

Sources: See reference no. 3- p 298.

It was a time to strengthen relation with countries who were our nearest and dearest. India had maintained close tie with Japan to

strengthen economic relations. Both the countries expanded two way trade which gave chance for technology transfer and investment from Japan. If both the countries followed the complementary nature to strengthening economic relation, it would be either middle or were long term.

The economic relations between India and Japan were strengthened over last few years because both the countries closely associated to each other. They better understand each others needs and requirements. Both the countries are well aware about the socio-economic background of each other. The process of development has been achieved through governmental and private institutional level. These processes of exchange have worked out for the deeper mutual understanding at the level of Foreign Ministers of two countries, minister of trade and industries, business corporation committee and the India Japan study committee.

Today is an era of privatization where multinational companies (MNCs) within National companies and corporations dominated around the world. They had invested a lot on the behalf of country. Japan was keenly interested to invest in India as for their size of population is concerned. Japan invested in diverse areas.

“The major participating investors are well established. Japanese multinational and other private sector players included Suzuki Namba

press work, Mitsue petro-chemicals, National Panasonic, Marubeni Corporation, Asahi Glass, Yamaha Motor, Fimatic limited, Mitsubishi electric, Matsushita Electric, Himamitsue pipe, Sanyo, chemical and Hogyo⁵.”

Japanese companies and corporation were very much conscious about their business. They never missed any of the business opportunities emerging around the world. Foreign Direct Investment in Asia is an essential part for the development of Japan. Japan has always looked towards Asian countries specially India for investment. It is because of rising domestic labour costs. Japanese companies were looking towards emerging markets which was a cheap base for manufacturing. In addition the current account surplus provided Japan the necessary funds to make huge investment overseas. The current account surplus of Japan between 1989 and 1996 was even higher than all advanced countries put together. It was around \$ 7135 billion compared to \$ 532.6 billion of all advanced economies and of \$ 118.9 billion of the European Union. In the year of 1997-1998 IMF worlds economic outlook has for cast a \$ 167.7 billion current account surplus for Japan USA all along has a deficit in current account and was projected to remain at 1996 level for next two years⁶ as given bellow (Table 1.1).

(Table-1.1)

Advanced Economies-Balance of payments on current account

(In billion U.S dollar)

	1989	1990	1991	1992	1993	1994	1995	1996	1989696	1997	1998	1997-98
Advanced Economic Excl.USA	4407	-18	-17.9	34.2	47.4	140.1	126.8	159.1	532.6	174.0	200.0	3740.0
European Union	-6.9	-31.5	-81.6	-80.5	11.2	25.9	57.3	86.9	-19.2	84.5	88.0	172.5
Industrialized Asian economic	27.4	18.4	14.2	15.0	19.9	15.5	8.2	0.3	118.9	5.1	13.5	18.6
Japan	57.2 (2.0)	35.8 (1.2)	68.4 (2.0)	68.4 (2.0)	112.3 (3.0)	132.0 (3.1)	130.6 (2.2)	65.8 (1.4)	713.5	77.7 (1.8)	90.0 (2.0)	167.7

Sources: see reference No (1) P-163

In the given data there was no scarcity of availability of private capital on global basis and it was predicted that Japan would be one of the major source.

Japan initially concentrated its investment to newly industrialized countries of Asia. Like Singapore, Korea, Taiwan and Hong Kong. With the passage of time Japan shifted her attention towards ASEAN countries including China. Japan tried to gain international political influence through Foreign Direct investment in the countries to be cultivated. China was a biggest market at that time, but the prevailing economic and political circumstances in country lost Japanese investors' confidence to invest in China during 1990. It was a good time for India from both points of view as one India opens its economy and second there was a great need of investment for economic development. These circumstances made India an attractive destination for Japan's FDI. This was a good time for both the countries as for their requirement was concern. As India has become the second largest populated country in the word resulted in a huge market too. Japan also required such a country for investment and did the same.

India was one of the protected country in terms of FDI. She started new investment friendly industrial policy in July 1991. This was the first measure to attract FDI since independence. Investment up to 51 percent of

equity was made fully automatic for 35 important segments of industries. It was further extended by 16 more industries thereafter. In addition to it the Indian Government opened the private debt market to FIIs (Foreign Institution Investment) in September 1992⁷ with the opening of new industrial policy. The government feels to reconstitute the Foreign Investment Promotion Board (FIPB) and the creation of foreign promotion council to accelerate FDI clearance in India.

“The UF (United Front) Government which came to power set itself a target of \$ 10 billion FDI annually Automatic approval was to be accorded for FDI with 51 percent equity participative for capital goods and metallurgical industries entertainment electronics, Food processing etc. 74 percent foreign equity participation was allowed in nine high priority sectors. These include infrastructure, non conventional energy, electronic software and certain others with export potential⁸”

The Japanese FDI was directly associate to improve the Indians economic infrastructure on behalf of Japan's extended ODA to India since 1958. Japan provided ODA to sectors like power, communication and transportation. In the later year Japan not only concentrated its ODA to infrastructures but also on afforestation and preservation of cultural heritage like Ajanta and Allora.

Many people in India feel that Japan has not taken alternative since India follow the policy of economic liberalization in terms of F.D.I. But it was not like that since 1991 to 1998, Japanese FDI increased rapidly. Various quantitative and qualitative data confirm beyond doubt that India was very much a marginal player in the Japanese FDI scene. According to Toyo Keizai survey of December 1997 a total of 18, 863 Japanese were operating abroad with more than 10 percent equity and among these 9,462 were operating in Asia. The total number of Japanese companies operating in India was 138. So that their share in total number was just 0.7 percent of the total and even just a trifling 1.5 percent of the Asian sub total as given in table (1.2). It has been noted that India's share of total increase between the periods of 1991-92 was 1.0 percent as compare with the previous year was 0.5 percent⁹.

Table 1.2
Number of Japanese companies operating abroad

		Total	1951-90	1991-97
1	Total	18,863	10,744	7,624
2	Asia	9,542	4,370	4,876
3	India	138	55	78
4	3/1 (%)	0.7	0.5	1.0
5	3/2 (%)	1.5	1.3	1.6

Source: See reference No. 9 P-26

JAPAN FOLLOWS U.S. FOOTSTEPS FOR INVESTING IN INDIA:

Since the end of the cold war Japan was not taken too much attention in terms of FDI in the initial three years as India has already liberalized its economy. Even Japan has maintained good trade relations. But was not serious in terms of FDI the reason behind it was recession in Japanese economy and the practices Japanese businessmen to be more cautious than the western countries in taking investment decision.

Another important reason was China was one of the biggest nearest market for Japan. On the contrary India has not taken any measures which enthuse the Japanese businessmen to take interest in country.

The surprising fact was that Indian environment gradually has become favorable for business purposes.

It was the U.S. decision to invest in India that gave rise to the Japanese interest. The risk was minimized for Japanese businessmen due to American involvement.

America forced and bargained the Indian government to provide a sovereign guarantee to power projects. This made the task of Japanese easier.

This was not the first time when Japan followed Americans in investment. The American investment in India was one of the important factor which influenced the Japanese investors to invest in India.

One of the basic fact about India is that the Japanese companies depend heavily on their U.S. counterpart for information about India. The representatives who came to India, fail to produce a correct picture about the business opportunities. Some of them were highly impress and fell in love with the country and present a rosy picture as India is another land of Gautama Buddha, while others were extremely frustrating.

Japanese businessmen believe that the American were well aware about India by virtue of large Indian population in the U.S.

But Japanese were not fully depended on Americans as they had their own channels for verifying the information. The number of large corporations had their own networks.

The Japan's interest in India was evident from the fact that chief executives of many large corporations had already visited India.

Every country having their own system to manage business, like U.S. and Europe who follow a top down system, but Japanese follow a bottom up approach in investment decisions.

The visit of Japanese Minister for International Trade and Industry Mr. Hashimoto to India in January 1995 was considered extremely significant. Mr. Hashimoto said he was the first Japanese international trade and industry Minister to officially visited India (earlier this year) only to convey to the Indian government and industrialist that Japan, following the Indian reform. They had decided to maintain trade and investment in India according to their ability¹⁰.

Mr. Toshiki Kaifu who was the honorary chairman of Japan's committee to study in India has said that the time has come for Japan to invest in India. He emphasized on the key role that Japan and India could jointly play an important role in Asia pacific region.

Mr. Vasant Sathe Chairman of India's committee to study, Japan told Mr. Kaifu and his committee that member of India in Asia Pacific Economic Cooperation (APEC) forum world help India's effort to integrate its economy with the global economy. Mr. Sathe extended an invitation to the Japanese Prime Minister and other senior leaders to visit India for further growth of India Japan economic relations.

In a press interview on 27th November 1995 the Minister for Commerce Mr. P. Chidambaran has urged the Japanese business community to invest in India as India following economic liberal policy. He pointed out

that India has a excellent base for man power and engineering skills. India also consist a huge consumer market with a transparent set of rules, trade and commercial lows which was globally recognize¹¹.

But Japan was very much reluctant to invest in India as he always follow U.S. Direction and was far behind US firm as given in table (2). The total number of Japanese investment during the period from 1991 to 1996 was Rs 4323 crore, which was more than 40 time that of the 1980's¹².

With the increase in Japanese investment in India, the number of multinational corporations, banks of Japan has started to serve Indian corporate sector. Sumito Bank Ltd and Asahi Bank Ltd were two such banks that have finalized plants.

The sudden interest of Japanese banks in India was the result of economic liberalization.

Japanese banks accounted for one tenth of the Banker journal by the financial times group for the financial year 1994-95.

Table-2

Top five investor countries in India: 1991-April 1997

1	USA	30,558	25.9
2	UK	7,854	6.6
3	Mauritius	5,765	4.9
4	Korea	5,412	4.6
5	Japan	4,842	4.1
Total		118, 107	100.0

Sources: See reference No 9 P-28.

The top 1,000 banks have been evaluated on several parameters, including strength, assets, soundness and project performance. The Sawa Bank was first in the list with the asset base of \$582.21 billion for the financial year 1994-95. Dai Ichi Kangyo Bank with asset base of \$581.64 billion, Fuji Bank with asset of \$571.08 billion, Soweto Bank with asset base of \$565.97 billion, Sakura Bank with asset base of \$559.48 billion, Mitsubishi Bank with \$ 547.74 billion and Asahi Bank with an asset base of \$ 313.42 billion are together ranked six in the list. Surprising all these banks are Japanese Banks.

During 1995, bank of Tokyo having the largest network in India with its three office-networks in Delhi, Bombay and Calcutta¹³.

The government of India and Japan has signed a loan agreement in January 1995 at the Overseas Economic Cooperation Fund (OECF) headquarter in Tokyo for the Srisaitam lift bank, hydro electric power project (9x150. MW), connected E.H.V transmission scheme (400 KV) and modernization Kothagudam thermal power station A (4 x 60 MW)¹⁴.

In a press conference on 8 July 1995 a senior economist of Deutsche Bank has said that India and china were likely to be major beneficiaries as Asia was for cost to be hit by “tidal wave” of Japanese investment as its corporate pull money out of US injecting about \$ 150 billions in to the Asian region.

So these countries were bound to see a tidal wave of Japanese Yen. Analysts have said adding \$ 10 to 20 billion of Japanese investment was expected to flow into China annually and additional \$ 5 to 10 billion into India every year in the next five to six years¹⁵.

The Japanese response to India's NEP in terms of trade and FDI has risen immensely since, 1990-91. Japanese investment to India increased yearly as given in table (2.1). It has rose from \$ 23.2 million in 1991 to \$ 127.78 million in 1994 and \$ 420.07 by 1996.

IMPACT OF NPT ON FDI:

Japanese investor had shown consistent interest in India since 1991 as India adopt NEP New Economic policy. It was only after 1998 that the tempo has slow down mainly due to Pokhran test and fear of nuclear war between India and Pakistan. India Japan economic relations came under cloud in the post pokhran period because Japan has taken a strong stand against India, s nuclear test. Because Japan was a country which is still suffering of American's atom bomb which was drop on Hiroshima and Nagasaki.

Another important reason of Japanese opposition was that Japan was the closest allies of United States of America. Japan follows the American preferential policies for the sake of American interest.

Table (2.1)
Japans foreign Investment to India from 1992-96

Year					
1992	1993	1994	1995	1996	Agree 1992-96
235.45 (17.3)	84.2 (3.3)	127.78 (4.5)	466.98 (4.8)	420.07 (5.2)	914.63 (5.5)

Sources: S.I.A News letter. For more information consult, India and Japan (Indian Intellectual perspectives) by Raja Ram Panda Kajuo Ando, pub by Japan Foundation New Delhi office P-157.

During that era India Japan relations was not fruitful not only in terms of FDI but also trade, and ODA. The ODA and FDI were decreasing as given in table (2.2). The table has clearly showed the effect of NPT conducted by India soon after that Japan has reduce its FDI as we have seen in table 2.2. The Japanese FDI was Rs 19064 million in 1997 has decreased Rs 8275 million by 2000.

During the period between 1998 to 2001 Japans has turned towards nearer countries to invest like China and Vietnam. Japanese companies and corporations were not taken interest to invest in India because of India-Japan relations was not fruitful.

Japanese people were very much conscious about their economic developments. They knew that India is a bigger market if they continue to maintain such policies than India got overseas trade and investment. When Indian Prime Minister Atal Bihari Vajpayee visited Japan in December, 2001, Japan again followed the same path.

Table 2.2
Japanese interest in India (Economic Facts)

Year	FDI (Rs million)	Balance of trade (Rs Crore)	External Assistance (Rs Crore)
1991	527	-	-
1992	6102	+696	2677
1993	2574	+24	2844
1994	4009	+686	4324
1995	5143	-42	4080
1996	14882	-843	4676
1997	19064	-644	4310
1998	12828	-1005	4110
1999	15947	-3423	547
2000	8275	-3685	6
2001	7353	-218	786

Sources: Compiled by Economic Survey 2001-2002 Government of India, New Delhi.

Japan clearly indicated its interest in maintaining and promoting economic relations with India, Infact India was apprehensive about Japan's response on signing C.T.B.T. Surprisingly, Japan did raise the issue but the matter ended with Japan taking note of India's effort to bring a national consensus on the issue and its decision to implement a moratorium on nuclear tests.

Japanese Prime Minister Mori also visited India. His first visiting city in India was Bangalore that was the biggest center of information and technology. On the other hand Prime Minister Vajpayee had also visited first the Kansai area with which India deals 75% of its business. It was sufficient enough to project the importance of the economic ties for both the countries.

Both the countries had come close to each other and realized the importance of each other. Both were the main pillar to maintain regional stability and economic development.

During the visit of Minister for Information Technology Shri Pramod Mahajan to Japan, the Prime Minister Mori announced that the high level Japanese economic mission would visit India soon. Finally, they visited India frequently to promote economic relations.

Japan had remained the fourth largest investor in terms of FDI approvals. During 1991-2004 (till August), the FDI approvals from Japan reached around \$2.7 billion as against \$13.5 billion from the USA and \$5.5 billion from the U.K.

A look at the inflows from Japan to India during 1992-2003 suggested that the trend has been highly erratic. From a level of \$26 million in 1992-93, the inflows spurted to \$235 million in 1998-99, but decline to \$147 million in 1999-2000 and 2001-02. In 2002-03 the inflows fell sharply to a low level for \$66 million¹⁶.

The cumulative approval of Japan's Foreign Direct Investment (FDI) in India was around US \$2.83 billion. The actual inflow of Japanese investment from 1991 to May 2001 was around US \$ 1077.2 million. The most attracting sectors of Japan's investment were transportation 28 percent

telecommunication 18 percent, fuel 13.5 percent, chemicals 12.17 percent and trading 6.9 percent respectively. The Japanese major investor in India includes Suzuki, Sony, Mitsubishi, Honda, YKK, NTT and Toyota¹⁷.

The chairman of AIWA Company of Japan, Kanji Tamiya in a press interview on 24 January 2000 underlines the need for speeding up economic reform to improve the investment climate in the country¹⁸. Japanese government as well as NGOs and big companies often stressed India to improve the infrastructure to attract the FDI. They supported India time to time by granting lot of funds like Japanese embassy present funds amounting to \$137-208 to two Indian development project on 7 March 2000 in India¹⁹.

JAPAN'S FOREIGN DIRECT INVESTMENT IN SOUTH ASIA WITH SPECIAL REFERENCE TO INDIA:

Since 1990s amongst South Asian countries Japan has emerged as economic Giant in the sphere of investment. Initially it focused on South Asians but with the passage of time it realized and focused that she did not find trained cheap manpower in any other neighbouring countries.

It was a good time for Japan to visit in South Asian countries as India was coming up with following reforms:

South Asian countries have drastically changed the entire spectrum of industrial policies and the attitude towards the foreign investment, this sweeping change could attribute to:

1. Inability of previous industrial policies and instruments to deliver goods.
2. The injection of unprecedented degree of market oriented liberalization in the immediate neighbouring countries and
3. Trying to emulate the high growth performance of the countries in the South East and East Asia in the 1980s based on their outward looking policies.

All South Asian countries have identified foreign investment promotion as an important strategy to achieve the objectives of increasing industrial production and also to meet the basic needs of the people. Foreign Direct Investment creates maximum employment opportunities and paves the way for the improvement in the balance of payments. Foreign investment has expected to supplement Domestic Private Investment through foreign capital flows, transfer of technology, improvement in management skills and productivity and providing access to international market²⁰.

South Asia had a huge potential as market and investment destination. South Asian countries largely depended on the import of oil from the Gulf region.

India's is located in the mid way between South Asia region and Japan. Thus 'the sea lanes' run through the Indian ocean. It is of vital interest for Japan that the South Asian region remains stable and friendly. South Asia is also the gateway to Central Asia, which has been recognized as another big potential area for natural resources.

The share of Japan's Foreign Direct Investment was received by developing countries of Asia which fluctuated between 0.47 percent and 1.71 percent between the 1990-96 periods with an upward trend on the whole. In 1997, it had showed a rather sharp rise to 3.95 percent. India had received a large amount of Japanese FDI in South Asia followed by Pakistan and Sri Lanka.

When one studies about South Asian countries as an important destination of Japanese FDI. One has to note their share in global FDI inflows (viz outflows from all the sources of FDI). South Asian countries received a very small proportion of global FDI inflow as shown in table 2.3 and figure1. The South Asian countries have received a more respectable share of global FDI inflows among developing countries than their share in

Japanese FDI inflows. Only during 1992 and 1997 did their share of Japanese inflows beyond their share in global inflows on a comparable basis. The share of South Asian countries had seen a rising trend in both the cases. Although the upward trend was more pronounced in the case of global inflows than Japanese inflows²¹.

In a survey conducted by EXIM Bank of Japan in 1997 has been proved that India was the second largest destination for investment in the long term among all the developing countries after China as per the past three surveys.

Table 2.3:
Global foreign Direct Investment inflows 1991-97

	1990	1991	1992	1993	1994	1995	1996	1997
World	203341	158936	175841	217559	242999	331189	337550	400486
Developing Countries	31345	41696	51108	72528	95582	105511	129813	148944
Asia	18978	23129	29651	51218	60679	67386	80011	86923
SAAR Countries	458	463	717	1137	1581	2753	3313	4370
% of Share in Developing Countries	1.461	1.110	1.403	1.568	1.654	2.609	2.552	2.934
% of Share in asia (Developing)	2.417	2.002	2.418	2.220	2.606	4.085	4.141	5.027
Bangladesh	3	1	18	10	8	2	14	145
Bhutan	NA	NA	NA	NA	NA	NA	NA	NA
India	162	155	233	574	973	1964	2382	3264
Maldives	NA	NA	7	7	9	7	8	10
Nepal	6	2	1	4	6	5	19	20
Pakistan	244	257	335	347	419	719	770	800
Sri Lanka	43	48	123	195	166	56	120	140

See reference number 20 pp 261-262.

Figure 1A: South Asia share of global and Japan FDI inflows received by developing countries 1991-97

Year	1990	1991	1992	1993	1994	1995	1996	1997
Of Global	1461	1.110	1.402	1.567	1.554	2.609	2.552	2.933
Inflows	158	418	91	67	077	207	133	989
Of Japanese		0.377	2.129	0.736	1.206	1.377	1.706	3.951
Inflows		252	10	64	802	754	099	399

Figure 1B: South Asia Share of Global and Japanese FDI inflows received by Asian developing countries 1991-97.

Year	1990	1991	1992	1993	1994	1995	1996	1997
Global Inflows	2.417	2.0018	2.4181	2.2199	2.6065	4.0059	4.1406	5.0274
Japanese Inflows		0.6738	3.4085	1.2053	1.9515	1.8770	2.4711	6.3531

Sources: See reference No. 20, p- 264.

India's rank has moved up from 6th to 4th among developing countries in 1996 as per survey and 1998 survey in respect of the medium term prospects also. When we talk in terms of actual flows the FDI inflows in India or South Asia from Japan hardly match this potential as reflected in the EXIM Survey.

The South Asian Association of Regional Cooperation (SAARC) has been playing an important role to make South Asia as an emerging regional entity. The region has now moved from the South Asia Preferential Trade Arrangement (SAPTA) to the South Asia Free Trade Area (SAFTA). Japan has encouraged the initiatives taken by SAARC countries in this direction. In 1993, a SAARC Japan special fund was established to promote cooperation among SAARC countries as well as

the regional relation with Japan. Japan was the first country, outside the region which has contributed in the activities of South Asian countries activities. The South Asian countries also followed the liberal economic policies as followed by developed countries like Japan.

Since July 1991 in India the major policy changes had been initiated in the industrial sector. It included removal of entry barriers, reduction of areas reserved exclusively for public sector to six defense products (atomic energy, coal and lignite, mineral oil, railway, transport, atomic minerals). It also included rationalization of the approach towards monopolistic and restrictive practices, substantial relaxations on the restriction on foreign investment, foreign exchange control and liberalization of foreign investment policy and import regime in respect of intermediate, capital and even consumer goods, India has opened door for most of the services sectors²².

Since the end of the cold war economic policy has totally changed. It truthfully became rationale and followed the liberal economic policy. India heartily welcomed the investors to invest in India except some sectors. It was also followed by some other Asian countries.

Prior to 1997 amendment in Pakistan, only manufacture sector was open to foreign investment. But after that no government sanction was required for setting up an industry in any field place and size, except arms

ammunition, High explosives, radioactive substances and security printing currency and mint industries²³.

Pakistan has now opened the service/infrastructure sector (wholesale distribution and retail trade, transportation, storage and communication/infrastructure projects, including development of industrial zones, deregulated services in telecommunication sector, hotels tourism housing etc) social sector (education, human resources development, hospital medical services) and agriculture sector (land development/ reclamation of barren desert and hill land for agriculture purpose and crops farming, forestry, horticulture etc)²⁴.

Nepal is one of the South Asian countries which promoted Foreign Direct Investment except following areas. Nepal prohibited its grant of approval for foreign investment only in (i) defense related industries which manufactures arms and ammunition (ii) cigarette and bidi and (iii) alcohol excluding 100 percent export oriented till December 1995. However, it was very comprehensively amended in January 1996²⁵. The broad areas opened for foreign investment included manufacturing industries, energy based industries, and promotion of tourism, mineral resource based industries agro based industries and service industries. Nepal encouraged foreign investment as joint venture operation with

Nepalese investors or as 100 percent foreign owned enterprises. Foreign investments were permitted up to 100 percent equity share industries²⁶.

When we talk in terms of Sri Lanka which is one of the South Asian country, open the base for the promotion of foreign investment in all sector of economy as India had done. The priority sectors identified were infrastructure, electronics, light engineering, tourism recreation and leisure projects agriculture including non traditional crops fisheries and storage and agriculture produce, dairy and live stock products, mining and processing of non renewable resources, computer software, rubber products, gems and jewellery, textiles garments and services²⁷.

The above explanation it had been clear enough that the South Asian Countries opened their economy to the foreign direct investors to a large extent according to their potentiality.

India is one of the leading country in South Asia which had been inviting the foreign investors to a large extent to invest in India. This developing initiative of India on (FDI) was followed by South Asian countries. Nowadays India has become one of the largest destinations for the investment. The most advanced countries of the world specially Japan has made India an important destination for FDI.

JAPANESE INVESTMENT IN SOUTH ASIA:

Japan has become one of the largest investor in South Asian countries but still followed the US policy. But India and Japan are closely since ancient period. Infact, relation between India and Japan become bitter due to some strategic political matter like India conducted Nuclear Proliferation Test (NPT) etc. and Pakistan also did the same. But over all their relation was better comparatively.

Here we need to discuss Japanese investment in South Asian countries separately with the help of tables.

BANGLADESH:

Since the period between 1976/77 to 1995/96, Japan's share in the total foreign investment in the engineering sector was as high as 62 percent, 44 percent in the chemicals and pharmaceutical sector and 14 percent of the total foreign investment in the textile sector as shown in table (3).

Table 3
Japanese foreign direct investment in Bangladesh by industrial sectors 1976/77
to 1995/96.

	Japan	Total	% Share
Chemical and Pharmaceuticals	2617.97	5823.24	44.9
Textiles	2679.23	18601.79	14.4
Food and Allied	123.12	2301.03	5.35
Tannery and Allied	96.9	911.42	10.6
Electric appliances and Electronics	15.12	593.2	2.55
Telecommunication		5749.33	0.00
Engineering	2175.85	2487.09	62.4
Services	258.79	6957.11	3.72
Others	60.92	22271.41	0.27
Total	8027.91	66695.62	12.04

Sources: ESCP, foreign direct investment in selected Asian Countries: Policies Related Institution Building and Regional cooperation, United Nations, New York, 1998, p-45.

The Japanese investors have shown their interest to utilize the natural resources like gas in Bangladesh. The meeting held in Feb 1999 between the government of Bangladesh and Japan had given some fruitful result. They invited Japanese investors to setup an industrial park near Bangladesh Jammu Multipurpose (BJM) bridge. Japan played a valuable role in constructing BJM Bridge, Meghna Bridge and many other projects in different sectors. Bangladesh expects it to help in other infrastructure development projects including construction of Rapsha, Pakshi Bridge and Padma Bridge which has been facilitating the optimum utilization of the mongla post²⁸. Japanese investors also wanted to establish agro based

and small and medium scale industries which food processing and export of vegetables and fruits.

In spite of it, the Bangladesh-Japan Joint Committee for Commercial and Economic Cooperation (JBCCE(e)), a joint forum of the federation of Bangladesh chambers of commerce and industry and Japan chamber of commerce and industry, has negotiated on the possibilities of forming alliances for setting up Small and Marginal Enterprises (SME(s)) in Bangladesh. The SMES played a considerable role in production, distribution and services and therefore it lead employment opportunities.

India:

1991 onwards a miracle change was introduced in India's economic policies. This reform period of 1991 has seen a drastic change in Indian economic structure. India Japan economic relation already had grown which benefited in the later period. Japan has become one of the largest investor to India followed by United States of America and United Kingdom.

Japanese investors had shown increasing interest in India. They had invested in diverse areas like motor vehicles, chemicals electrical equipment, house held gadgets and iron and steel goods etc.

PAKISTAN:

Since the end of the Cold War or we can say after 1991 all the South Asian countries opened their door for the foreign investors following by India. Because it was the demand of the time. The world has become a global world. Every country has become interdependent.

Pakistan also one of the important South Asian country and a close neighbor of India maintained close relations with Japan. After 1991 Japan has become the top trade partner as well as foreign aid donor to Pakistan after United States and Germany.

Pakistan's Liberal Policy has promoted foreign investor to invest in Pakistan. It gave a significant growth in foreign investment as well as portfolio investment. The total foreign investment ranged between \$50.2 million in 1981 to \$639 million in 1997. Within this total investment also the portfolio investment increased from \$74 million in 1982 to \$ 203.8 million in 1997 and the direct investment from \$ 45.8 million to \$ 436.1 million²⁹.

The number of industrialized countries has made Pakistan an important destination from the investment point of view. Among most industrialized, United States of America and Japan has become one of the largest investors in Pakistan. Only US companies have constituted as high as 41 percent of the total investment. On the other hand the share of

Japanese investment on the total investment in Pakistan has recorded an inconsistent tendency in last decade and it has come down steadily from 5.6 percent in 1989-90 to 1.8 percent in 1997-98 as shown in table (3.1).

During 1993-98 around 100 projects in Pakistan had equity participation from Japan. The industrial cooperation were basically concentrated in agro-based industries and down stream projects of Pakistan.

Table 3.1: Foreign investment in Pakistan (US million \$)

Year	Japan				Global		
	Direct	Portfolio	Total	% Total	Direct	Portfolio	Total
1989-90	16.1	-4.2	11.9	5.6	216.2	-4.7	211.52
1990-91	26.2	-5.3	20.9	8.8	246	-9	237
1991-92	17.7		17.7	3.2	335.1	218.5	553.6
1992-93	22	6.3	28.3	6.4	306.4	136.8	443.2
1993-94	0.3		0.3	0.0	354.1	288.6	442.7
1994-95	16.3	4.6	20.9	1.4	442.4	1089.9	1532.3
1995-96	82.1	13.1	95.2	7.3	1101.7	205	1306.7
1996-97	36.6	6.9	43.5	4.6	682.1	267.7	949.5
1997-98	12.5	-1.2	11.3	1.8	436.1	203.8	639.9

Sources: Economic Survey 1997-98 statistical appendix, government of Pakistan, finance division, Islamabad, 1998, p-84.

Japan has also agreed to provide capital as well as technical known, how to develop shipbuilding facilities in Pakistan. The Japanese top ten companies like Suzuki and Toyota have invested in many sectors like power, motor vehicles and other consumer's products³⁰.

In this way Japan had invested in Pakistan in the form of capital in the form of technical hands or by providing different types of material for the development of its economy.

Sri Lanka:

Sri Lanka is also one of the South Asian country has been able to attract foreign investors like Japan, South Korea, Hong Kong, Singapore, Germany, Italy, India, Australia and United States of America since 1991.

When we talk in terms of Japanese investment out of total number of project of 1325 and the foreign investment of Rs. 19728.14 million during 1985-1996, the share of Japanese investment participation was 4.1 percent and 2.08 respectively. Besides it Japanese investors participated in collaboration with Singapore, Taiwan, Switzerland and UAE in a number of projects as shown in (table 3.2).

JAPANESE COMPANIES HAVE INVESTED IN AREAS LIKE:

- Food beverages and tobacco
- *Textile, wearing apparel and leather products*
- Wood and wood products
- Paper and paper products
- Chemical petroleum, rubber and plastics
- Non metallic mineral products
- *Fabricated metal products, transport equipment*
- Manufactured products and services³¹.

Table 3.2

**Estimated investment and employment of projects approved from 1990-96
classified by country/countries of collaboration and year of approval.**

Country/Countries Collaboration	No. of Proj	Estimated Investment			Estimated Emgl (at capacity)
		Foreign	Local	Total	
Year of approval granted	1990				
Japan	2	258.98	0	258.98	824
Japan – Sri Lanka	3	56.06	9.85	65.91	383
Year of approval granted	1991				
Japan	2	30.36	32.14	62.5	180
Japan-Singapore – Sri Lank	1	33	1	34	708
Japan – Sri Lanka	3	105.57	12.03	117.59	1167
Year of approval granted	1992				
Japan	8	2534.86	226.1	2760.96	1281
Japan-Singapore	1	8.7	4.5	13.2	110
Japan- Sri Lanka	10	222.704	603.834	826.54	1094
Japan, UAE – Sri Lanka	1	61.25	13.75	75	35
Year of approval granted	1993				
Japan	9	415.16	8.25	415	452
Japan – Sri Lanka	6	208.21	128	336.21	1222
Year of approval granted	1994				
Japan	8	2245.38	5	2250.38	1982
Japan – Sri Lanka	11	738.6	253.52	992.11	1025
Year of approval granted	1995				
Japan	3	215.13	60	275.13	869
Japan – Sri Lanka	4	368	119.05	487.05	561
Year of approval granted	1996				
Japan	3	75.82	0	75.82	297
Japan Sri Lanka	4	908.21	137.81	1046.01	821

Source: See reference No. 20, P- 309.

Nepal:

Since the promulgation of new democratic constitution Nepal has consistently made increasing efforts to develop its economy by inviting Foreign Direct Investment. The on going reform period of the 1990s saw a drastic change in the joint ventures sector in Nepal. They emphasis on foreign economic aid gradually subsidized. By mid 1994 as many as 247 foreign collaboration projects (including operational under construction license issued approved) with foreign investment of Rs. 4211.69 million were approved. In term of country wise collaboration, India emerged as the single largest group with 94 project followed by Japan with 25 projects. In the last three years a total of 113 projects were approved³².

Nepal has a great need of Japan's assistance as far as their socio-economic circumstances was concern. Nepal needs Japan's technical expertise in harnessing the water resources, in developing its tourist industry, solving environmental challenges, in poverty alleviation, in fighting against hunger, diseases, malnutrition and has encouraged for urbanization³³.

Table (3.3) gives an idea about the areas where the Japanese foreign investors have gone to their geographical locations and their collaboration. The area of participating of both Japan and Nepal had been at both levels i.e. traditional and non-traditional. They were in consumer

goods sectors, agro based industry, service sector, sciences and technology, natural resources harnessing pharmaceuticals, manufacturing and export orient industries. Japan had concentrated its F.D.I. on tourism related services and ready made garments, T.V. & Radio, Electric Fan, Stove, Color T.V. Assembly, Seeds, Fruits, Scientific and Tech. Laboratory, Hotel, T.V., Rice Cooker and travel tours.

Table 3.3: Profile of Japanese joint-venture industries in Nepal
(Status operated, December 1995)

Location	Products	Companies	Nature
Kathmandu	Readymade Garments	Chuo Co. Ltd.	Financial
Bhaktapur	T.V. & Radio Electric Fan, stoves	Sanyo, electric company	Tech & T.M.
Kathmandu	Hotel	Mitsui Real Est Dev Co. Ltd	Financial
Kathmandu	Hotel	Hajime Kido	Financial
Makhwanpur	Color T.V. Assembly, Radio	Sony corporation	Technological & TM
Makhwanpur	Seeds, fruits	Kensuki kikuchi and others	Financial
Kathmandu	Scientific & tech lab	Yagaikagaku Co. Ltd.	Financial
Rupandehi	Hotel	The hokke club ltd.	Financial
Lalitpur	Radio, T.V. Rice Cooker, Electric fan	Matsushita electric Ind. Co. Ltd.	Tech & T.M
Lalitpur	Radio cassette	Matchita electric ind. Co. ltd.	Tech & T.M
Solukhumba	Travel/tours	Himalyan Kanko Kaihatse Co.	Financial

Source: (Primary) Computed from Nepal and the world: A statistical profile, 1996, federation of Nepalese chambers of commerce and Industry, Kathmandu, Nepal.

During 1995 the operating joint ventures of 126 unit was held. In it the countries around the world had participated which showed increasing popularity and acceptance of the Nepalese Foreign Investment Policies.

In these Japan constitute over 6 percent of the total authorized capital as given in (table 4). And India alone having a share of 37.19 percent with 53 units, the China with 7.51 percent with 5 units and Japan 6.07 percent with 11 units and Philippines also having a good share of 9.35 percent with 2 units only and the remaining also participate as given in table 4.

No doubt Japan maintains good and progressive relation with Nepal as an important South Asian country. Any misunderstanding arise between the two countries on any account has been solved by high diplomatic or political level. By the way Nepal and Japan as two of the worlds most respected monarchies and parliamentary democracies had solved their misunderstanding for the economic development and social prosperity.

Table 4: Country wise number of joint ventures in Nepal
(Status operated December, 1995)

Countries	No. of units	% share in total authorized capital together with Nepal
India	53	37.19
China	5	7.51
Japan	11	6.07
Philippines	2	9.35
Hong Kong	2	2.05
U.K.	4	6.19
France	4	1.38
Denmark	2	3.07
New Zealand	1	2.54
U.S.A.	8	4.38
Bermuda	4	14.63
Others	30	5.59
total	126	9766.61 (Rs Million)

Sources: (Primary source) Same as 3.3 department of industry, Kathmandu

Monarchy had been abolished in Nepal and Parliamentary system is in execution as in Japan. Still both the countries had their own experiences of monarchy. While dealing with Nepal or India Japan is very conscious of this fact.

Japan maintained a good economic relation with South Asian countries specially India, Pakistan, Bangladesh, Sri Lanka, and Nepal. In the list of Japanese Foreign Direct Investment to the South Asia, only 5 countries viz, India (IND), Pakistan (PAK), Bangladesh (BLD), Sri Lanka (SLK) and Nepal (NEP) appear Bhutan and Maldives (MLD) were absent from the list. When we talk about Japanese F.D.I. to the South Asian countries India was the major recipient, Pakistan was the second and Sri Lanka came on third position, Bangladesh and Nepal jointed late. All these countries have increasing F.D.I. since 1990 as given in table 4.1 which was compiled from the U.N. report on ECAFE of various years. Similarly the flow of Japanese assistance has been decreased except through F.D.I. It was 2,638 million dollars as private export credits, 4,556 million dollars as multilateral portfolio investments. It was only Foreign Direct Investment (FDI) of Japan which has a positive number. It was 58,580 million dollars (data referred to the years 1998, development indicators 2000, U.N.).³⁴ Japanese companies spread their network in the form of Foreign Direct Investment (FDI).

Japan had established number of project in South Asian countries specially India. The reason behind it was the cheap labour charges as well as product material but it not only benefited Japan but also South Asian region too.

Table 4.1: Direct Japanese Investment to the SAARC

Year	BLD	IND	NEP	PAK	SLK
1990	103.37	2927.826	182.4	5343.6	1730.32
91	38.58	4004.27	85.44	6353.4	2043.64
92	702	6104.6	43.2	8609.5	5668
93	398.5	18012.12	196.96	10451.64	9664.54
94	322	30532.74	299.28	12905.2	8296.68
95	81.5	69093.52	280	25344.75	3026.688
96	593.88	85585.26	1083	30892.4	6804.36
97	6060.18	120636	1318.36	2881.3	24510
98	13631	81739.6	522	20377	1976.4

Sources: See reference No. 17, p 342

India as the worlds largest democracy. SO number of projects are running in India which is led by Japan like ‘metro’ etc.

Japan had said that India is the main area where Japan can increase its investment which may result in developing deeper relationship between the two countries. The investment during 1991-98 was to the tune of Rs 75.1 billion and in 1998 alone it was Rs12.8 billion. The EXIM Bank of Japan in 1998 has said in its survey as 3rd most attractive investment destination for long term perspective i.e. 10 years 5th most attractive destination from medium term perspective i.e. 3 years. There were 90 Japanese ventures in operation and around Delhi, followed by Mumbai having 44, Chennai 41 and Calcutta with 13 in 1998.³⁵

The market size of India had not been the factor that drew Japanese investment. But socio-economic development in Japan and also the change in the investment scenario of Asia and other parts of the world have increased Japan's attention towards India.

India has become one of the advanced countries among the developing countries. The young population of India attract most advanced countries specially Japan to invest in India.

Big companies of Japan always exploit the opportunities emerging in India or around the world. They are always in search of emerging market as a cheap base to manufacture.

Japan seventh largest direct investor in India in 1995 but most of the time Japan has maintained fifth ranked. During 2001 Japan maintained fourth rank in Foreign Direct Investment (FDI) in India behind United States of America, Mauritius and United Kingdom. Japanese investment of 2.83 billion US dollars has been approached since 1991. This was reflected in 1,163 approvals, 495 being financial and 668 technical. The Japanese investment in India during 1991-2000 was shown in table 4.2.

The increasing approval of Japanese Foreign Direct Investment (FDI) in India was around US \$ 2.83 billion. The central inflow of Japanese investment from 1991 to May 2001 was around US 1,077.2

million. The sector attracted maximum Japanese investment were transportation at the top with 28 percent then telecommunication 18 percent, fuel 13.5 percent, chemicals 12.17 percent and last but not least trading with 6.9 percent respectively.³⁶

Table 4.2
Japanese Investment in India during 1991-2001

Year	Investment		Actual inflow	
	Million Rs.	Million US \$	Million Rs.	Million US \$
1991	527.1	21.5	55.8	2.3
1992	6102.3	233.2	716.4	27.4
1993	2574.3	84.0	810.0	26.4
1994	4009.0	127.8	2758.1	87.9
1995	15,142.6	482.3	2271.7	72.3
1996	14882.5	432.8	3008.3	87.5
1997	19063.5	531.5	5911.4	164.8
1998	12828.2	324.8	7805.6	197.6
1999	15947.3	379.7	6356.4	151.3
2000	8275.4	192.5	6815.5	158.5
2001 (up to sep.01)	3772.16	78.2	4518.1	101.8
Total	103, 124.36	2888.3	41027.3	1077.8

Sources: See reference no. 17

JAPANESE PERCEPTION ABOUT INDIA'S F.D.I.³⁷

“Japanese investors were suspicious about the policy framework in India”

1. There was inadequate information about policies and procedures.
2. The slow pace of deregulation gaps between policy announcements and statutory enactments, low royalty rates and even low lump sum

payments for technical collaboration, continue to discourage investment in India.

3. India's tax regime did not seem to be attractive enough in terms of tax holidays, investment allowances and adequate depreciation charges when compared with those of East Asian and South East Asian countries.
4. India suffered from infrastructure bottlenecks.
5. The exit policy a prolonged legal system makes the Japanese nervous about closing down their business. The inflexible labour policy further compared the situation. There was often a complain that India gave too much attention on legalities.
6. The changing socio-political circumstances gave a deep impact on the minds of Japanese investors.

THE INDIAN RESPONSE:

1. Development of Special Economic Zones (SEZs) has led to further liberalization of investment. The respective state governments may declare the units in SEZ as public utility and delegate the powers to Development Commissioners of the zone.
2. Infrastructure has been speeded up with the participation of the private sector, both domestic and foreign.

3. The tax regime has been speeded up with the participation of the private sector, both domestic and foreign.

From the above given points it has been clear that there were some loop holes in Indian system and Japanese company were reluctant due to that problem. They were not investing as much as they wanted or required by India.

India is a multi-religious, multi-lingual country so problems are natural, sometimes on the basis of caste sometimes on the basis of religion and sometimes on the basis of region. These factors affect the investors as they do not feel safe during investment. Except policy the procedure was also cumbersome. The companies are not able to easily understand the prolonged legal system. These things made Japan bit reluctant and nervous in investing India on the other hand worked out the problem of Japan's investors. Economic Zones (SEZs) to distribute the powers in units as it was centralized.

The government made the system more flexible for the Foreign Direct Investment. The government improving infrastructure as one of the important pillar for the economic development. Government of India took help of private sectors, public sectors on both fronts i.e. domestic and foreign and followed the pattern and infrastructure of developing countries especially Japan.

Recently India reformed policy and programmes and became one of the important destinations for Foreign Direct Investment (F.D.I.). The wave of liberalization, restructuring and regulatory reforms has possibly encouraged private sector's participation which has moved India from fourth to the second position as most attractive F.D.I. destination.

Recently India has considered the second most attractive destination for F.D.I. Its ranked just below China and above U.S. surpassing other Asian competitors such as Singapore, South Korea, Hong Kong and Thailand.³⁸ F.D.I. from India in 2004 stood at US D 2.2 billion as compared to China, which stood at US D 1.8 billion for the same period.³⁹ India encouraged Foreign Direct Investment and joint ventures with global company specially Japanese in order to achieve commercialization, transport and technology for the economic growth and sustainable development.

Japan has become the major supplier of technology to India with 837 collaborations (about 11 percent of total)⁴⁰. FDI focused its interest in India on IT, software services, BPOs, manufacturing sectors in which India secured second rank. In 2006, outward FDI from India was expected to cross US \$ 10 billion mark, exceeding inward F.D.I. up to 2000 more than half of this F.D.I. arose from the manufacturing sector.

Since 2001-02 non-financial services seem to be the thrust of outward investment.⁴¹

The top most sector in India which attracted Japanese FDI between 2000 to March 2006 were transportation industry (55.58 percent), electrical equipments (including software and electronics) (96.83 percent), telecommunications (4.08 percent), Earth Moving machinery (3.43 percent) and service sectors- financial and non financial (3.33 percent) foreign institution investment (FII) from Japan was \$ 2.26 billion 21 percent of the total and rose to be the top FIIs country during 1 April 2005 to 29 March 2006.⁴²

Japan is a country which is famous for the electrical and electronic equipments. Japan maintained quality products. Electrical equipments were the top sector for Japanese F.D.I.

India's growing phenomenon and the large number of investors neither coming to India for its large population nor for market size and tariff jumping reason but in search of cost quality competitiveness and high scale return. No doubt India is the second largest populated country in the world having a huge market potentials for the investors. For the sake of interest the companies, MNCs easily gets attracted towards India.

India's economic growth and recent trade investment performance had been very impressive and had placed India in the league of the

dynamic BRIC (Brazil, Russia, India & China) economies, diversified and advanced developing economies. Never in human history has a democracy with over 200 million people sustained annual real GDP growth of 5.9 percent over a 23 year period⁴³. But it is still below, China's current high growth rate and that of tiger Asian economies in the past. If we look at long term grow projection, India seems to win the race ahead of Brazil, China and Russia among the BRIC Economies⁴⁴. The further income gaps within India have declined and were already compare with BRICs economies⁴⁵.

India has become the highly growing economy of the world as for as their market size is concern. India had been reducing poverty rate gradually by inviting the Foreign Direct Investors to invest in India.

“In February 2007, about 475 Japanese companies have been operated in India. The cumulative FDI inflows from Japan to India during the period August 1991 to November 2006 was \$ 2.175 billion. This amounted to 5.44 percent of the total cumulative FDI over the same period. Excluding Mauritius, Japan is the third largest source of FDI excluding FDI inflows received for acquisition of existing share (up to 1999) RBIs NRI schemes stocks swapped and advance pending issue of share”⁴⁶.

India had created new opportunities for investment by making a fruitful investment policy for the investors. The increasing investment infrastructure will promote growth as well as new demands.

The Prime Minister Mr. Shinzo Abe visited India with a business delegation soon after Indian Prime Minister Manmohan Singh visited to Japan in December 2006. In a press conference on 20 August 2007 he has said that government intention would be long term investment in India. Japanese companies are known for taking a long term view of their business.

In response to this Indian Prime Minister has said that India would try to provide a friendly environment and learn from Japan's corporate philosophy and practice. He has express that India expect to receive Foreign Direct Investment of about U.S \$ 30 billion this year. She further hoped for massive increase of investment in public and private, domestic and foreign infrastructure sectors.

The Prime Minister of Japan Mr. Abe and Mr. Manmohan established the India-Japan business leader Forum. It was a unique economic engagement between India and Japan. Prime Minister had said that their visit would be fruitful and productive. He also has said that he hoped that Japan would became part of India's growth story, an economy

that reflect the aspiration and confidence over a billion strong population⁴⁷.

The Indian Prime Minister Manmohan Singh appreciated the Japanese Prime Minister Mr. Abes initiatives. Both the leaders (Abe and Manmohan Singh) had learnt the inner sight of the countries and become aware about needs and requirements. Japan as one of the economic superpower would cooperate India at every step for economic development and India will reciprocate.

CONCLUSION:

Since the Prime Minister P.V. Narsimha Rao, India had reformed its policy to integrate its economy with the countries of East and South East Asia. India had articulated Look East policy which was not merely a political slogan. India did not follow globalization as a challenge but as an opportunity for the economic development.

Over the past decades Indian economy had grown at an average of around 6 percent annually. It boosts an emerging middle class and increasing gross domestic product, export employment opportunity and foreign investment.

Economic ties are the bedrock of India-Japan relationship, both the countries always giving a strong push in this aspect. Both the countries have realized that bilateral trade and investment were below potential as

compared to China's trade with India which was nearly three times India's trade with Japan. Japan had the second largest Gross Domestic Product (GDP) in the world while India has the tenth largest GDP in the world, and stood fourth when measured at purchasing power parity exchange rates. It had proceeded the strong economic growth to be continued over the long run and shall be the economic superpower in near future.

India has a potential to transform the world economy in the next two decades. The size of India's GDP in 2010 could surpass that of certain OECD countries such as Spain, Korea, and Canada and equal Japan by 2025⁴⁸. By 2020 India may contribute 12.2 percent to the global economic growth.⁴⁹ It has been also expected that India's share in global GDP will be rise from 6.2 percent in 2006 to 8.8 percent in 2020 and has predicted to create 142 new jobs.

India, China, U.S. and Japan will contribute a lot to the world economy as for as their size of population and resources is concerned. The BRIC (Brazil, Russia, India and China) together with Japan was playing an important role in maintaining global economic stability and promoting political relations.

Japan is one of the oldest friend of India and can be the potential partner to create world class infrastructure. India needs \$ 500 billion of

investment over the next five years, \$ 320 billion of this for infrastructure alone. There is a vast potential for higher level of Japanese investment in India in a variety of sectors such as infrastructure telecom, power and construction.⁵⁰ In spite of number of Indo-Japanese successful joint ventures had concluded such as Hero Honda, Toyota, Kirloskar, Suzuki and Maruti, but no satisfactory result had found. Japan has arranged number of joint ventures in relation of economic development, but the current situations are not witnessed as should be expected. But no doubt Japan is only country who wants economic development of Asian countries specially India. Japan provided ODA time to time for the number of projects as today we are looking in the form of Delhi Metro facilities, roads, rapidly developing infrastructure, dams, power stations etc are the result of Japan's co-operations.

These contributions of Japan makes India close in political aspect too. Due to this co-operation both the countries raised their voice in U.N. General Assembly to became the permanent member of Security Council. It has been expected that both the countries would be the member of Security Council as U.S. the main pillar of U.N. has became too closer to both the countries.

On the other hand both the countries already maintain a good image in front of world community by supporting or cooperating them

time to time. Governments of both countries are now negotiating an economic partnership agreement which would offer excellent opportunities to expand and diversify bilateral trade and investment.

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Chapter III

Indo-Japan Trade Relations

CHAPRER-3

INDO – JAPAN TRADE RELATIONS

The emergence of Japan as one of the leading economic power as well as most trading surplus nation in the world has been possible due to interaction at economic, political and social levels.

The economic development of any country with the rest of the world depends on a number of factors such as share in world trade, finance and investment. All these factors depend on Gross Domestic Product (GDP), consumption and factor endowments.

When we talk about *comparative* and competitive production, we associate it with specific factors like climatic conditions, availability of natural resources, skilled human resources and other location cum natural factors for the establishment of production workshop. But countries production is not only confined to natural advantages within the country but also the relative availability of resources and other institutional / legal advantages across the countries. The external market is not understood on the bases of the size of the market as it exist by revealed purchasing power for the commodities which is already in the sphere of production but also the scope for extension of that sphere. This may be categorized in two ways; one is expansion within the host country and the other in

protecting home firms and allowing their expansion through trade and overseas investment in the host country. The power potentiality of a *countries* trade measured on the bases of global power structure, like after United States of America, Japan is the second largest economy of the world. It has been possible due to trade investment and the hardworking nature of their peoples. The economy of independent India has involved in trade with a number of countries. Most of these countries and groups are from the developed Market Economy (D.M.Es).

Trade played an important role to promote a countries economy and economic relations with other countries. Flourishing of foreign trade means prosperity of a country and its people. India's trade with Japan since 1950s has passed through several significant developments. Starting with low level imports in 1950s (Valued at Rs. 203.8 million) trade with Japan expanded three fold during the first five year plan period.

HISTORICAL PERSPECTIVES:

India's trade relations with Japan were established in old times, "the teaching of Buddha which contributed much to shape India's social and cultural attitudes reached Japan in the middle of the sixth century. Indian textiles were first introduced in Japan, with Buddhism around the seventh century"¹. Nevertheless the modern trade starts much later when Japan came out of isolation at the end of Tokugawa regime. The trade

relation grew with the advent of Meiji Restoration era. During the seventh decade of the nineteenth century trade, relation between India and Japan were confined to export of cotton, twist and yarn from India and imports were limited to copper of Japan. Export of cotton yarn was gradually substituted by raw cotton which Japan began to import due to the rising demand of raw cotton from domestic industry. Trade between 1887 and 1898 showed up and down in quantitative term.²

^ The last quarter of the nineteenth century was the sign of Indo-Japanese trade and economic development. With the rapid expansion of Japan's textile industry during that period, India attracted attention as a reliable source of raw cotton supply. During the closing year of the nineteenth century a special team for trade came from Japan to maintain regular purchasing of cotton from India. This was a good signal to flourishing cotton trade between the two countries. The first shipment, sent to Japan in 1889-90 by the house of Tata's consisted of 32 bales.

The Indo - Japanese trade convention was signed in 1904. This boost up specially cotton trade. Soon after this convention Japan became the biggest importer of India's raw cotton, accounting for 46 percent of cotton shipped from India in 1913-14. By 1935-36 it became the destination of more than 50 percent of raw cotton going out of India. But

unfortunately Japanese decided to buy American cotton and gradually India lost the dominant which it was enjoying in Japanese market.

The trade between India and Japan was almost balance from 1951 to 1956. The Indo-Japanese trade agreement of 4 Feb.

1958 was a remarkable development in trade. India's trade with Japan had doubled, but the balance turned heavily against India owing a rapid growth of exports from Japan. In 1966 the deficit in India's trade with Japan was as high as Rs. 222.1 million. Since that period the balance of trade has turned in India's favor (except during 1974-75), with the surplus reach the peak figure of Rs. 1,200.5 million in 1971. Japan has been one of the top three trading partners of India for last few years. But there was a basic asymmetry in the bilateral trade relation in 1980s in the sense that "Japan accounts for about 10 percent of India's foreign trade, but India's share in Japan's foreign trade was less than 1 percent".³ This trend was not continued in 1990s. For getting Japanese attention, India has to make all out efforts to increase export to Japanese market in a big way. Nevertheless, during the last two year, Japanese technology and investment have made a distinct impact on Indian economy, especially in the automobile, electronics, electrical and engineering sectors.

India on the other hand was also an emerging super power, and wanted to strengthen and expand the economic relation and two way trade, which is the need of the time.

Indo-Japanese Trade since 1991:

Soviet Union's disintegration had an impact on world politics and on economic system of other countries. The "Glasnost and Prestriika" (Free market economy) impressed a lot in changing the economic policies. P.V. Narsimha Rao government did open the door to foreign investors to invest in India. It was a drastic change in Indian economic system as Western countries were availing the opportunity.

India entered in 21st century and by and large had transformed its system of economy with a will to trade and invest with other countries. It also confirmed that India had been accomplished its value as a large well diversified and strategically globalizing economy. The unexpected story of India's trade is a prominent part of the India's 'raising' or 'emerging giant' phenomena today, sweeping across government policy corridors, corporate boardrooms, strategic think tanks and media networks globally. To apply the concept developed by Raul Prebisch, founding Secretary-General of United Nations Conference on Trade and Development (UNCTAD), India seems to be at last moving from the 'peripheri' of international development towards its center.⁴ Kautaliya in

his Arthashashth has mentioned trade has its purpose and benefits at both the ends.

It is evident from the fact that India's performance on the path of economic growth and development through trade and investment had been successful for the world. It is welcoming India as the 'stealth miracle economy' and a formidable trading power in the making. But unfortunately India's emerging 'power knowledge' status and its human resource reservoir was associated with a bleak image of a 'population Bomb' and the literacy gap. As India is able to pull more people out of poverty since its independence then ever before (58 percent 1947 to 25 percent presently) and its 350 million middle class consumers constituting the nucleus of 'India rising' are being hailed along with concerns about millions of people living in object poverty.⁵

India as the second largest populated country of the world moving towards maximum production to expose our trade potentiality with the cooperation of developed countries like U.S.A., Japan, France, U.K. etc. India's trade relations with Japan are traditionally diversified and strategic. They needed continuity and diversity in the decade of the 1990s.

In 1970s it has been noticed that Japan's import were dominated by food and raw materials specially minerals and fuels. This was good news for the food and raw producing countries. Japan has also reduced some

tariffs and non tariffs barriers. Awaiting for this situation India also came forward with action oriented policy for increasing export to Japan.

The world wide role of Japan in the global economy has become a considerable interest to India. Her most advanced industrial and technological strength has enhanced her global competitiveness in several vital sectors. The most advanced countries of the West were facing serious challenge due to expanding role of Japan in global economy. India had joined the developing countries that were making a great effort to develop our economy by attracting foreign investment and increase in trade with the other countries including Japan.

Japan one of the India's largest and oldest trading partner. The Indo-Japanese trade relationship started as early as 1870. A favorable change in traffic between the two countries took place since 1991 when India initiated her economic reform.

Indo-Japanese trade relations growing regularly but Indian goods have not been able to compete in Japanese market. India's share are very little as 0.7 percent in total Japanese global trade and its rank twentieth among Japan's trading partner, which is below the US, China, European Union, East and South west Asian Countries⁶.

REGIONAL ECONOMIC/TRADE GROUPING:

Today the world is a global village, where every country seeking their interest from their nearest one. The era of globalization has witnessed a massive growth in the Preferential Trading Arrangements (PTA). It is an era of regional trading arrangement. Trade has dominated & focused on geographical proximity. There is nothing in the concept of trade liberalization. More than 100 regional trade agreements have been notified to WTO as in June 1998. In spite of it a lot are operative, but not notified in W.T.O. In contrast this number was less than 25 in June 1990s.⁷ According to W.T.O. report most of these involve from developing countries and fall under the scope of the Enabling clause of GATT.⁸ Trade within NAFTA, E.U, EFTA, CFFTA and MERCAUSUR account for about 36 percent of world trade. Collectively in these groups, 70 percent of global trade originates.⁹ There are some massive Preferential Trading Arrangements are at various stages of development for examples APEC, Free Trade Area of the Americas (FTAA) Eastward Expansion of the European Union and a still nebulous idea of a Trans Atlantic Free Trading Area.

There has been a lot of debate being held for the benefit of such trading arrangements. Bhagwati came to the conclusion that “regionalism in trade is on the whole not welfare enhancing¹⁰.” Krugman has raised an

issue which was of great concern to India. He has said that regional trading has an adverse impact on developing countries. He has also argued that the multiplicity of regional trade blocs may not reduce global welfare but is likely to exclude small country or countries which are geographically not suitably located i.e the country which are at a distance from natural trading blocs¹¹. The developing countries are not in such a position to keep pace with the developed countries. They already run their trading system like E.U, NAFTA, and Pacific Rim. The developing countries may pursue but not go with them because they are far from their ambit. In other words we can say that developing countries are at growing stage. They are still facing economic and political instability. They want to establish and maintain such regional trading but they are facing sometimes external problems like partiality in trading bloc's, sometimes internal problems like terrorism, communalism, regionalism, racialism etc. Developing countries have such serious problems and unable to concentrate on developing aspect. But the day is not far when developing countries became developed and form trading blocks from the lower level. It may be possible that the lower level trading bloc may lead to World Welfare.

INDIA JAPAN AND SAARC IN THIS PERSPECTIVE

India-Japan regional trading bloc reveals that other than Hong Kong Japan is the only member country of WTO. Japan is not a member of regional trading bloc but also member of APEC informally. On the other hand India is the dominant member of SAARC, a full dialogue partner of ASEAN and also trying to enter in APEC. India has become the member of recently formed regional group BIMST and also the Indian Ocean initiative at the interregional level.

Japan's role is inconsistent in world's Eco-Political order due to its US inclined policy. The reason behind is that U.S.A. is the prime mover. She has insisted the policy of globalization. The U.S.A found aggressive globalization of market to be in its both economic and political interest. "The globalization process parallels U.S economic and technological hegemony in the world, as long as US firms overcome the competitive deficit. They registered with Japan during the 1980s suffice it to say that such several occurred during the 1990s and was strengthened by the fact that Japan's economy entered a phase of relative stagnation, partially as a result of the United States increase competitiveness"¹².

This may add that the trade grouping is not a single one regional grouping. The countries support each other in different ways like, military aid, economic aid by granting ODA, promoting culture of a country

celebrating ritual ceremonies etc. The reason behind all these was political because these countries cooperate in international arena. International relations of Japan were essentially based on economic strength. It tries to gain international political influence through ODA, trade and through Foreign Direct Investments. Japan's, ASEAN relationship over the last more than three decades is a good example of this strategy¹³. Japan maintained these relationships in the post 1997 period. Simultaneously, China had extended its economic relation in the region aggressively. Due to China's extended economic policy to region, Japan looks seriously towards SAARC and especially India. But unfortunately India-Japan relation came under the cloud as India conducted nuclear test. However there was a moral ambiguity in Japanese stand in view of its non nuclear umbrella arrangement with the US. "India's eloquent criticism of the nuclear non-proliferations trading regime divided the globe between the nuclear haves and have-nots struck a note with many Japanese¹⁴.

Japan's relation with SAARC has been seen at very low key. As table 1.1 shows the share of SAARC and Japan's total exports and imports were insignificant. Japan's export was less than one percent of its total to SAARC and its import from SAARC was just above one percent that was worst during the decade of 1990s. Both the countries share have

recorded a negative trend. But it was seen that the share of India in Japan's export has increased while in imports the trend was negative¹⁵.

During the 1990s the average value of trade to GDP ratio of South Asian countries was around 25 percent. But the ratio of trade (export and import goods and non factor services) to GDP has calculated a remarkable import. India's share in export was much in comparison to other South Asian countries. The export share of some South Asian countries was 0.61 percent for India, 0.16 percent for Pakistan, 0.08 percent for Bangladesh and Sri Lanka. Japan is an important trading partner of South Asia. In 1997, the total export of South Asian countries to Japan was US\$2.7 billion as compared to total import of US\$4.2 billion leading to trade deficit of US\$1.6 billion as indicated in table (1.2) increase in recent past. The ratio was 36.7 percent for Bangladesh, 26.4 percent for India and 78.6 percent for Sri Lanka in 1995¹⁶.

Table 1.1
Export (% Share)

	1991	1992	1993	1994	1995	1996	1997
Bangladesh	0.077	0.071	0.00	0.085	0.079	0.064	0.075
India	0464	0436	0424	0.518	0574	0592	0.524
Maldives	0004	0.003	0.002	0.003	0.002	0.002	0.002
Nepal	0.031	0.018	0.169	0.17	0.14	0.016	0.005
Pakistan	0433	0.383	0387	0.217	0.280	0281	0.180
Sri Lanka	0.093	0.106	0108	0.115	0.097	0.098	0.096
SAARC	1122	11017	1021	0.954	1045	1.073	0885

Import (% share)

	1991	1992	1993	1994	1995	1996	1997
Bangladesh	0.028	0.27	0.31	0.033	0.043	0.041	0.038
India	0.924	0.874	0.947	0.967	0.868	0.816	0.785
Maldives	0.002	0.001	0.000	0.001	0.001	0.003	0.006
Nepal	0.001	0.001	0.002	0.001	0.001	0.001	0.001
Pakistan	0.275	0.227	0.206	0.199	0.179	0.165	0.144
Sri Lanka	0.066	0.066	0.007	0.069	0.069	0.078	0.079
SAARC	1.286	1.194	1.258	1.270	1.161	1.104	1.053

Sources: Calculation made on the basis of DOT date.

Japan's Trade Relations with South Asian Countries (A comparative Study of Japan trade Relations with South Asian Countries)

South Asian region is a largest Geo-Economic and strategically important region of the world. It constitutes 22 percent population of the world. This region has vast economic potentiality. It represents a large market over a billion people. Japan a second largest economy of the world played an important role to uplift the economic condition of the South Asian countries. Although South Asia is not an important market in global trade. It covered 3.2 percent of world area, with 1.7 percent of world out put. It constitutes only 1.1 percent of world trade¹⁷.

Table 1.2 South Asia's trade with Japan, 1991 and 1997

	Export		Import	
	1991	1997	1991	1997
Bangladesh				
World	1687	4209	3421	7403
Japan	53	104	307	405
Percentage	3.14	2.47	897	547
India				
World	17872	33336	19509	41977
Japan	1656	1870	1364	2429
Percentage	9.25	5.61	699	579
Nepal				
World	257	346	500	645
Japan	.2	2	108	72
Percentage	0.78	0.58	2.26	11.16
Pakistan				
World	6494	8632	8431	11595
Japan	520	450	1245	872
Percentage	8.01	5.12	14.77	7.52
Sri Lanka				
World	1987	4259	3061	5658
Japan	102	242	358	453
Percentage	5.13	5.68	11.70	8.01
South Asia				
World	28297	50436	34922	66633
Japan	2331	2666	3382	4159
Percentage	8.23	5.29	9.687	6.24

Sources: I.M.F. Direction of trade statistics year book, 1997. A 1998

The countries requirements increase time to time but trade was reduced in 1996 in comparison of 1990 as given in figure.

Table (2)
Japans export and imports to South Asian countries

	Export		Import	
	1990	1996	1990	1996
World	2876.64	411242	235289	349508
Bangladesh	378	347	71	143
Percentage	(0.13)	(0.08)	(0.03)	(0.04)
India	1711	2436	2075	2852
Percentage	(0.59.0)	(0.59)	(0.90)	(0.82)
Maldives	10	7	4	10
Percentage	(0.003)	(0.002)	(0.002)	(0.003)

Nepal	59	65	3	2
Percentage	(0.02)	0.02	(0.001)	(0.001)
Pakistan	1008	1157	538	578
Percentage	(0.35)	(10.28)	(0.23)	(0.17)
Sri Lanka	316	401	135	273
Percentage	(0.11)	(0.10)	(0.06)	(0.08)
South Asian	3482	4413	2826	3858
Percentage	(1.21)	(1.07)	(1.20)	(1.10)

Source: I.M.F. Direction of Trade Statistics year Book, 1997.

Figure in parenthesis represent percentage of Japan's total export (or import from) world.

As we compares the South Asian countries trade with Japan in proportion of world. India and Pakistan are only the countries who export a lot during the 1991 onward as India constitutes 9.25 percent and Pakistan 8.01 percent to Japan. But it reduces during the 1997 as India's 5.61 and Pakistan 5.21 percent. When we talk about their imports, India's import was better in comparison to other South Asian countries during 1991 or onward but it was reduced during 1997.

The trade of South Asian countries has shown very little in proportion of their population. When we talk in terms of Japan's total trade, South Asia contributed only 11 percent of Japan's total trade as shown in table (2). It was noticed that India and Japan were good trading partner. A major share of Japan's imports from South Asian countries had its origin from India. India and Pakistan were major countries of South Asian region. Both were the major market of Japanese export. But the

statistical survey proved that there was a lot to decline in trade as shown in table (2).

The total import of South Asian countries (from world) increased at the rate of 7.65 percent per annum during 1990 to 1997 but the South Asia's Import from Japan was lower and grew at the rate of 2.45 percent per annum during the same period. The share of South Asian countries import declined from the level of more than 9 percent in early 1990's to 66 percent in 1997. On the other hand the export of South Asian countries in Japan had significantly declined during the 1990's as shown in table (1.2).

The economic integration in South Asian nations is still at the early stage. The achievements of SAARC in trade as a whole are considered nominal¹⁸. Since Dec. 1996 the process of intra-regional trade liberalization in SAARC started, it may be too early to judge the impact on international trade. The trend suggested a steady increase in proportion of the region in intra SAARC exports as proportion of total SAARC exports increase from 3.16 percent in 1990 to 4.90 percent in 1999. Similarly, Intra SAARC imports as a proportion of total SAARC import increased from 1.91 percent in 1990 to 4.12 percent in 1991.¹⁹ The intra regional trade was still very little among member countries. The export

destinations of most of the SAARC member countries were United States and Japan.

Table (3) India's Weight in the total imports and exports of Japan to South Asia (%)

Year	Japan Exports to India as percentage of its exports to South Asia	Japan imports from India as a percentage of its imports from South Asia
1990	49.24	73.56
1991	43.25	72.08
1992	41.90	73.27
1993	41.23	75.34
1994	54.28	76.21
1995	56.02	74.98
1996	55.20	74.09
1997	58.82	70.77

Source: Computed from: Japan's Exports and Imports: Country By commodity Tokyo: Japan Tariff Associated various Years)

Note: Year after to calendar year

INDIA'S DOMINANT SHARE IN THE SOUTH ASIAN TRADE WITH JAPAN:

India has become the most advanced and dominant country in the South Asian region. The most important reason of that is it occupied 70 percent area of the region. It constitutes second largest population of the World after China and 3/4 of South Asian region. India's GNP is also the same as (3/4). India have dominant share in trade of this region with Japan. India has become a country who is having technical and competitive skill and trying to cope pace with most advanced countries of the World as for as their size of population is concerned. Its trade is dominated among the SAARC country with Japan as given in Table (3).

However, India constitutes a very little share of 0.7 percent of Japanese global trade. It occupied 20th rank amongst the trading partners of Japan. On behalf of India Japan is third exporting destination next to U.S and U.K. Japan which was the second most important destination for Indian export in 1995, fell the 3rd position in 1996 and the 4th position in 1997. Similarly, Japan's rank in India's import has fallen from the 3rd position in 1995 to the 6th in 1996 and to the 8th in 1997²⁰.

So Japan's rank fallen down due to so many reasons as Indian products are not as good as the market demand, lack of infrastructure, and a lot of problem related to tariff and other formalities. As the export of Japan reduced due to the basic commodities were easily available in India.

THE RECENT TRADE BETWEEN INDIA AND JAPAN

Japan is being India's third largest trading partner after European Union and United States of America. The bilateral trade was growing for much of the decade, but had been affected by global circumstances in past few years for example; the gulf crises affected India's export. The shipments to Iraq and Kuwait were a major market in the belt, which had been badly affected. The gulf crisis not only affected Indo-Japanese trade but also all the neighboring countries' trade and commerce.

Traditionally, Japan had been the second largest destination of Indian exports. It is pertinent to mention that Japanese organization like

the Japan External Trade Organization (JETRO) had made serious attempts to help the Indian fashion garments and Jute industry as also the fishery industries. Indian garments had done extremely well at last in Japan. Japanese government had already taken too much interest in helping India, to boost its exports of these items- going by frequent joint programmes between the Trade Development Authority (TDA) and the Japanese organizations²¹. A high level business delegation of software experts and senior representatives of Japanese Information Services Industry visited India to develop business cooperation in the field of software between the two countries. The visit was jointly sponsored by the electronics and computer software Export Promotion Council (ESC) of India and Japan External Trade Organization (JETRO) under MIT of Japan. This was stated by R.H. Naqvi, Executive Director, and ESC, who described this initiative, under the Asia Cooperation Project, as the most successful programmes of India's software entry into the Japanese market place.

Table 3.1
Trade with Japan

year	Export	Import from
1990-91	3039	3245
1991-92	4071	3375
1992-93	4160	4136
1993-94	5432	4790

Source: Japan's priority list, The Telegraph (Calcutta) 7 April 1995

According to MIIT and JISA research studies the Japanese software market, with for cast estimate of \$50 billion in 1995 was the second largest single market in the world after the United States of America²².

In a press conference on 7 April 1995 Japanese Prime Minister had said that whatever happening in Indo-Japanese relationship would contribute not only to peace and prosperity in Asia but also for the entire world. He had said that India's reformation successfully completed its first phase and had entered new phase of development.

Mr. Hashimoto spoke and collaborated for Japan's interest to grow for India and assured delegates from both countries to work on the area. Japan could count on their government as an active supporter of Indo-Japanese economic cooperation. The Japanese Minister had told business community that the development of electricity in India was Japan's top most priority. He also had said that besides other infrastructures development the communication would be at high priority.²³

Marubeni had joined hands with most of the top Indian business groups to set up a wide range of projects to improve economic infrastructure with the help of trade and investment. One of its projects was to manufacture a car that will be smaller than Maruti 800.

This \$151 billion trade oriented conglomerate (Soga Shesha in Japanese) had told the government that it also wanted to increase its export import business with the country from \$750 million in 1994-95 to over \$2 billion by 2001-02.

Indian business houses with which Marubeni had either joined hands or intend to form joints venture including Tata's, Bajaj, Thapars, Videocon, Kirlaskar, ESSar, and Vardhman. Marubeni had leaded a Japanese consortium that wanted to form a project management joint venture with Thapars to set up power projects. This Japanese consortium had submitted a proposal to Maharashtra government to builds two 250-MW thermal power stations.²⁴

Japan strong economically in South Asian region and one of the largest economy of the world always wanted to cooperate with India and wished to boost India's economy. This could be only done through trade and commerce. This would further promote to have an environment for healthy productions. As earlier mentioned Japan had given a lot of Official Development Assistance to develop its infrastructure. The development of electrical power was always Japan's first priority to boost and develop Indian economic infrastructure. Electricity (power) is an essential and important component to enhance the production. India had improved a lot to provide sufficient power for small as well as big

industries, plants and all other things units which is required power. Now Indian economy as well as its trade was growing rapidly. The major India's export included gems and Jewellery, marine products, iron ore and yarn. India's major important item included organic chemicals, iron and steel products, transport equipment, power generating machinery and textile machinery as well as project related machinery. It may be noted that Indo-Japanese trade, had grown significantly since 1991. But India's exports have reduced since 1995-97. India's import from Japan also reduced in 1996-97 and even though it picked up in the next year, it remained lower than the peak reached in 1996-97²⁵. A product analysis of top 30 principal products exported by India to Japan has been presented in table (3.2)

Table 3.2
India's exports of Top 30 Principal commodities to Japan

Product	Value Indian Rupees (Lacks)		
	1996-97	1997-98	% change
Total	712035	590724	-20.54
Marine Products	169586	198837	14.71
Genus Jewellery	164499	121105	-35.83
Iron ore	83931	85510	1.85
Cotton yarn, Fabrics, Made up	37837	47931	21.06
RMG cotton incl. accessories	25777	22138	-16.44
other ores and minerals	16222	14937	-8.66
Ferro alloys	14143	14513	2.55
Oil meals	20297	1195	-69.22
Paints / enamels / varnishes etc	9656	11235	14.06
other commodities	6584	10440	37.28
cashew	9910	9793	-1.19
Machinery and instruments	5325	9745	45.36
Primary semi finished iron steel	21074	9329	-125.89
Drugs, phrmelites & fine chemicals	7773	8888	12.54

dyes intentesw 7 coar Tarchemis	7730	8129	4.91
Coffee	7101	7929	10.44
processed Minerals	11702	7878	-18.55
Cotton raw includes, Waste	14868	6881	-116.07
species	6953	630	-4.88
Residlehem & Allied products	4256	6484	34.36
inorganic, organic agro chemicals	4350	6218	30.04
carpet (excel silk) hand made	4830	5919	17.00
Manufactures of metals	3311	5591	40.78
castor oil	6720	5301	-26.78
Woolen Yarn fabrics made up site	4069	4604	-11.63
Tea	3080	3416	9.82
Finished leather	1409	3187	55.78
Rmg man made fibres	3890	3164	-22.95
Hand crafts (exchange made carpets)	3417	2659	-28.50
Guergum meal	1311	2610	49.76
Electronic goods	2901	2540	-14.19

Source: See reference no. 16- pp. 454-455

From the given table it has been noted that between 1996-97 and 1997-98 India's export to Japan declined by over 20 percent. The products that badly affected among these were Jems and Jewellery , RMG cotton, oil meals, primary and semi finished iron and steel, processed minerals, cotton raw, castor oil, RMG man made fibers, handicrafts and electronic goods.

The study reveals that India's import from Japan was marginally increased from the 1996-97 to 1997-98. The value of import that suffered losses during this period included, transport equipment; artificial resins machine tools synthetic and reclaimed rubber, non ferrous metals, non metallic minerals etc.²⁶

India also Import top 30 items from Japan as given in table (4)

Table (4)

India Import of Top 30 Principal commodities from Japan

Products	Value in Indian Rupees/Lakh		
	Value		
	1996-97	1997-98	% change
Total	776341	791179	1.88
Machinery except etc& electronic	166991	1751197	1.4.76
Transport Equipments	104207	82071	-26.97
Project Goods	68566	72292	8.92
Iron & Steel	71510	72726	1.67
Electronic Goods	53492	65775	18.67
Organic chemicals	50360	58093	13.31
Professionalism. etc except electronic	47854	51438	6.97
Other Commodities	21078	40693	48.20
Artificial signs, Plastics Materials etc.	30509	23892	-27.70
Machine Tools	40597	23574	-72.81
Elec. Machinery electronic	15285	17399	12.15
Manufacturer of Metals	15990	16381	2.38
Synthesis & recld rubber	13659	12486	-9.40
Synthetic & separated fibers	5956	9761	28.74
Inorganic chemicals	6695	8194	18.29
Non Ferrous metals	13213	7146	-84.89
Textile Yaru fibers, made up articles	5525	6912	20.06
Chemical material & products	7077	6613	-7.01
Non metallic MMrl manufactured parts	7261	5320	-36.48
Dyeng. Tang. Colrng materials	3136	4336	27.67
Medicinal Pharmaceutical products	3025	4309	29.81
Paper board & Manufactures	2863	3866	25.94
Coal, Coke brick lites etc.	4299	3581	-20.05
Metafiles ores & Metal scrapes	7070	2261	-121.67
Fertilizers Manufactured	13	1908	99.31
Sulphur & Unsold Iron parts		1113	100.00
Printed books, news papers, iron metal etc.	1140	965	-18.18
Pearls & precus semi press stores	716	799	10.29
Fertilizers, Crude		708	10000
Primary steel plates iron based item	276	520	46.93
other crude minerals	287	393	-74.69

Source: See reference No. 16 Pp-456-57.

COMPOSITION OF COMMODITIES EXPORTED SINCE 1990-1991 TO 2000-2001

India has exported lot of essential commodities to Japan. It has been noted that before 1991, India exported agricultural commodities like tea, coffee spices etc. But after 1990-91 spices, chemical products and cotton yarn, fabrics had growing trend in export trade. In spite of the other commodities like tea, coffee, cashew kernels, oil meals, marine products, engineering goods, ready made garments and carpet was stable in export trade as given in table (4.1) below:

Table 4.1

Commodities	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-1998	1998-99	1999-2000	2000-2001
1. Tea	23.69	19.47	28.10	25.85	28.89	28.83	30.80	61.37	59.32	54.63	80.26
2. Coffee	0.63	5.02	17.72	16.63	57.65	85.93	71.05	86.73	56.37	33.43	17.17
3. Species	12.87	15.90	24.35	24.73	31.78	26.63	69.53	68.79	81.50	82.89	104.86
4. Cashew kernels	36.56	66.08	58.39	82.74	92.59	100.52	100.07	98.12	108.30	129.28	103.57
5. Oil Meals	3.12	10.42	25.19	50.66	30.96	127.20	202.97	130.63	181.64	173.36	156.16
6. Marine Products	275.18	649.24	760.24	1144.62	1555.79	139.10	1695.86	2077.94	2054.18	2127.52	2328.92
7. Iron Ore	671.51	880.57	669.29	750.54	685.48	926.22	839.31	858.27	778.09	415.82	542.93
8. Leather and Manufacturer	50.33	49.97	68.98	48.46	67.27	71.25	47.37	51.08	-	-	-
9. Gems and Jewellery	981.91	1138.24	1252.03	1715.22	1820.53	2482.63	1644.99	1234.74	1447.80	1947.57	1762.09
10. Chemical and Allied Products	53.87	95.77	101.00	125.35	204.44	239.48	248.41	302.48	326.41	317.60	393.06
11. Engineering Goods	127.92	294.23	292.15	369.93	401.93	510.00	502.18	473.71	420.66	425.60	552.11
12. Cotton, yaru, Fabrics, made ups etc	60.75	119.01	130.24	189.69	307.63	318.18	378.37	478.85	333.52	451.14	495.99
13. Ready made Garments	125.88	236.15	247.45	291.54	347.48	394.43	312.48	290.48	305.99	331.27	325.87
14. Jute manufactures	12.00	16.71	20.16	20.41	20.18	24.72	19.14	29.45	25.13	28.10	50.37
15. Carpet handmade	3.47	27.70	34.54	69.80	87.04	68.74	48.30	80.89	64.35	74.10	87.71
16. Tobacco	-	-	-	-	-	-	-	-	-	-	-
17. Iron and Steel	-	-	-	-	-	-	-	-	-	-	-

Source: Indo-Japan Relations - Challenges and Opportunities by M.D. Dharamdasani, Kanishka Publishers, Distributors New Delhi PP. 137-138.

Since liberalization, India had tried to maintain purity and stability of products. India on this behalf had succeeded and diversified their trade, to a large extent. Japan often appreciates India's developing steps. Japan has become India's third largest trade partner, two way trade during the past financial year (2000-01) being \$ 3.6 billion of which India exports comprised \$ 1.8 billion. The trade between India and Japan from 1993-2001 are given below in table (4.2).

Table 4.2
India-Japan trade during 1993-2001

Year	India's Export to Japan	Percentage change	India's import from Japan	Percentage change	Total Trade
1993-94	1747.8	-	1514.0	-	3261.8
1994-95	2026.5	15.94	2039.9	34.73	4066.4
1995-96	2215.7	9.33	2473.1	21.33	4688.8
1996-97	2005.8	9.47	2187.4	11.55	4193.2
1998-99	1898.4	5.35	2144.9	1.94	4043.3
1999-2001	1650.8	13.04	2384.4	11.16	4035.2
2000-2001	1792.2	5.23	1820.8	22.7	3623.0
Apr-Aug 01	636.30	-	734.49	-	-

Source: Japan's role in South Asia by MD Dharmdasani, Kanishka Publishers, Distributors New Delhi 2003, p. 248.

India exported number of commodities to Japan as far as their requirement was concerned. But the main exported product of India's were Marine product 28.8 percent, Gems and Jewelry 26.6 percent, cotton yarn etc. 6.3 percent, Iron ore 5.7 percent, RMG cotton 3.4 percent and other 29.3 percent etc.

India's import from Japan constituted mainly the general machinery 21.3 percent, project goods, electronic goods, transport

equipment etc. 8.8 percent, professional instruments 7.3 percent, Iron and steel 6.7 percent and other 34.6 percent respectively.²⁷

The development of trade is the demand of the time to accelerate the economic development of the country. India is trying to maintain stability in the process of export. India is watching minutely the demand of the market as Japan did earlier. The demand of the product depends upon the demand of the market. India has diversified her export and import trade. The foreign trade has become essential because it not only provides foreign currency but also increase national income and employment opportunities. Trade between the two countries has to be considered a powerful engine of economic development.

Thus for the sake of fast economic development India has always developed relation with the developed and developing countries especially with Japan. It is necessary to take an overview of Indo-Japan trade since India liberalizes its economy. The foreign trade of India with Japan has analyzed with a view to identify the portion of export, import and balance of trade. India's foreign trade position has given below table No. (5).

Table 5**India's Exports, Imports, and Balance of trade**

Year	Export	Rate of Change (Percent)	Import	Rate of Change percent	(Rs. In crore) Balance of trade
1990-91	32553	17.7	43198	22.3	10645
1991-92	44041	35.3	47851	10.8	3810
1992-93	53688	21.9	63375	32.4	9687
1993-94	69751	29.9	73101	15.3	3350
1994-95	82674	18.5	89971	23.1	7297
1995-96	106353	28.6	122678	36.4	16325
1996-97	118817	11.7	138920	13.2	20103
1998-99	130100	9.5	154176	11.0	24076
1999-2000	159561	14.2	215236	20.7	55675
2000-2001	2003571	27.6	230873	7.3	27302
2001-2002	209018 P	2.7	245199	6.2	36181

Source: Economic survey Government of India, 2002-2003.

It has been proved from the table (5) that the value of exports and imports has increased since 1990-91 to 2001-2002. The exports have recorded a rise of nearly 6 times since 1990-91. Similarly, imports have also registered a swift, increase. In this way foreign trade has shown adverse balance of trade from 1990-91 to 2001-2002.

There was a fluctuation in this rate of change in value of exports and imports. The rate of change of exports was very low during the year of 1997-98, 1998-99, and 2001-2002. The reason behind it was low exports, South East Asian crisis, continued recession in Japan and economic crisis in Russia, in 1998, etc. According to economic survey, “the event of September 11, 2001 was anticipated to have far reaching consequences for growth prospects in emerging markets and developing countries. Countries depending heavily on external demand and having

large external financial requirements were likely to suffer the most from the erosion in business confidence and increase in risk premia. Weaker global demand for exports and lower commodity prices can accentuate poverty in low income countries.²⁸ In spite of it, equity market has become more fragile in Japan and in Euro area and domestic demand has been sharply squeezed.²⁹

During the period of economic liberalization the value of India's imports had been increasing due to rapid industrialization, control of inflationary pressure, openness of market economy, policy of liberal imports and inadequate expansion of exports etc. Thus, since 1990-91 the trade deficit reached the unprecedented level of Rs. 36181 crore in 2001-2002.

INDIA'S EXPORT POTENTIAL:

The Indian Prime Minister Shri Atal Bihari Vajpayee has visited Japan in the first week of December 2001. He expected to boost the economic relations between the two countries especially in the sector of Information Technology, Food Processing, Infrastructure, Industrial Machinery and Precision Instruments, Chemicals and Pharmaceuticals and Transport equipments and Auto components.³⁰

India is a growing economy has modified our self with the emerging demand of the market. The software export has been emerging as a major foreign exchange earner for India. In the last ten years, the

Indian software' industry has grown by 55 percent. The government has projected exports of software products to reach a level of \$ 9.5 billion 2001-2003.³¹

It has been predicted that the future of Indian software industry will be very bright as far as the demand of the global world is concerned. The number of European countries like Germany, Norway, France, Italy and Hungary had shown interest in the Indian software industry. It was expected that India's cooperation with Europe in the IT sector will be increased further.

The countries like Japan, China, and Australia were very much passionate to enhance I.T. trade with India. Besides it there was lot of shortage of I.T. professional. The countries like Germany Japan, the United Kingdom, France and Hungary required a lot of IT professionals including U.S.

The growing demand of Indian I.T. professionals outside Japan was an indicator that Indian software industry has achieved the distinction in providing quality service. Now the computer software export has become a thrust area and one of the fastest emerging sector. The software export jumped to Rs. 17,150 crore during 1998-99, a growth rate of about 57 percent. The domestic software industry has increased to Rs, 7,200

crores during the 1999-2000 from Rs. 4,950 crores during 1998-99. The industry is moving towards a \$ 50 billion turnover by 2008.³²

Now India's I.T. sector has become one of the top most booming economically developed sectors. India has targeted \$50 billion software export by 2008. India has diversified the I.T. export destination. India has identified Japan and Australia as a new avenue for its I.T. exports.

In a survey conducted by International Labour Organization has suggested that only 5 percent of world population have used the internet. Among these 90 percent of all users are from the industrialized countries. The United States of America and Canada has accounted for 57 percent.³³ The I.T. is not only promoting the advancement in the society but also provides employment to a large extent. Japan is a country where 18 percent of internet users are women, with 19 percent in Russia and 25 percent in the European Union. But the surprising is that India, having a strong I.T. industry, there is no evidence that poverty level have been significantly reduced. This means I.T. is not properly utilized in social sector³⁴ because of illiteracy, unavailability of resources as India's 70% population resides in rural area.

India has been recognized one of the top most I.T., trader. Its software industry has been counting on the countries rich heritage of epics, myths and legends to provide fantastic inspiration for its computer

game developers. It is necessary to mention that more than half of computer games are now being produced in the U.S., Canada & Britain, while Japan accounted for some 12 percent of the output. The India's software industry has been already developed. Programming skills can't be ignored in global interactive gaming market. India's software industry has annual exports of around \$ 6 billion and nearly 20 percent of the global market share in customized software but it nowhere in the picture when it come to games.³⁵

PRIME MINISTER MORI'S VISIT TO INDIA TO PROMOTE TRADE ESPECIALLY IN I.T. SECTOR:

Prime Minister Mori visited India in late August 2000 to promote bilateral relations especially for I.T. sector. Mori was the first Japanese P.M. who visited India nearly a decade after the nuclear test conducted by India in May 1998. The relations between the two countries were declining during that time. Japanese people were very clever, they were afraid of that India is a big market, if Japan constantly follow the same path on the matter of nuclear issue, the other countries will get benefit of vast Indian market.

Japanese people were not only influenced by 1 billion people market but also as a promising partner in the area of Information Technology. Japan has began to notice that due to globalization and Information Technology revolution, many industrialized countries had

turned to India as a source of I.T. related personnel, such as computer software Engineers who were badly needed for industrialized countries economic development.³⁶

Japan had concentrated to improve their I.T. sector. She required 30,000 skilled I.T. Engineers as well as researchers from India and China's by 2005 as Prime Minister Mori announced a plan in November 2000. Japan has clearly made a plan to improve their potentiality in the field of Information Technology with the help of India to run with the US, Europe and Asian giants.

Japan was very much apprehensive about the growing influence of developed countries like Germany and U.S. who has allowed I.T. professional to reach easily to this country. Japan was very much conscious in this regard. It didn't want to keep him self back in this role. On 2 February, 2001, the government of Japan decided to issue multiple visas. These visas were valid for three year for short term business stays, allowing a period of stay for 90 days for businessman of Indian nationality from IT sector located in India. Its aim was to promote exchange between I.T. specialist of India and Japan. This step was taken by Prime Minister Mori for business purpose.

Japan has decided in her basic policy to increase the number of foreign technological professionals by 30,000 by 2006, to keep pace with the global I.T. revolution. Accordingly the Ministry of Judiciary had sent

a notice to regional immigration offices, said that Indian who has qualified by their government as I.T. experts fall under the category of technologists one of the foreigners residence states in Japan.³⁷

India has got a status of a model in the field of information technology. The number of countries seeking alliances with India in I.T. sector such as Myanmar Computer federation and CII has signed a MOU to collaborate in the field of Information Technology. Myanmar developed its I.T. to keep India as a model. India has one of the best world class I.T professional, software solution providers. It consist a large domestic market apart from the overseas market. With the advancement of technology, highly sophisticated system of communication increased the demand of I.T. professionals and skilled Engineers. In view of this the Ministry of Information Technology in Japan has launched a programme called Operation Knowledge targeted Indian software and hardware professionals. Many Japanese companies ventured into the I.T. business as well as those already emerged in it. These companies urgently required skilled engineers who had a command on both Japanese and English language with ability on oracle and other similar system's, network infrastructure and presentation, experience and multiple form infrastructure and internet skills. Indian I.T. professionals fulfilled all the requirements except proficiency in Japanese.³⁸

The mutual cooperation between India and Japan has promoted IT business to a large extent. Japan had constituted less than 4 percent of software exports from India whereas Japan had a very developed software industry valued at \$ 60 billion, the second largest market for I.T. after the US. NIIT, the third largest software exporters from India, has been operating subsidiary in Japan since 1995.

Promod Mahajan was the Minister for Information Technology and Communication and made a visit to Japan from 2-6 September 2001. Both India and Japan emphasised to promote I.T. export as I.T. has already been identified as a key area to develop close cooperation between the two countries.

The visit of Prime Minister Atal Bihari Vajpayee to Japan in the first week of December 2001 has been further reinforced to develop economies of two countries. He favored joint ventures with Japan in the I.T. sector and various other sectors. He declared that his government was committed to remove all the hurdles in the way of foreign investment.³⁹

Both India and Japan played a cooperative role by maintaining a process of import and export in the field of I.T. sector. Japan is strong in computer hardware whereas India in software. In this way both the countries are the natural partner for collaboration. It has to be predicted that IT would be the pillar for economic development and technological advancement for both the countries.

Both India and Japan maintained a good interaction in IT field for last few years. The Japan's IT market in 1999 was worth about yen 36 billion (\$300 billion) and increased about 6 percent in 2000. The India's role in I.T. sector recognized not only Japan's big cities but also in smaller cities. They were very much interested to promote I.T. cooperation with India. India export in the field of I.T. to Japan during last few years have been shown in Table 5.1.

Table 5.1
Information Technology Export to Japan during 1993-2000

Year	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
Percentage							
Growth from previous years	62.6	76.9	15.2	105.7	122.7	44.2	17
Amount (Mill, Rs.)	260	460	530	1090	2428	3500	4100
(Mill. \$)	7.8	13.9	16.0	29.4	60.7	83.3	95.3

Source: Electronics and Software Exports Promotion Council of India.

INDIA JAPAN TRADE: AN ANALYSIS:

The India Japan Declaration of 10 December 2001 provided a platform for bilateral relations to move in qualitative direction.

During the visit of former Prime Minister Atal Bihari Vajpayee in December 2001, the Japanese Prime Minister Koizumi said Both Japan and India should promote good relation through economic cooperation to make future bright. But India's share in Japan's total trade was meagre. It's not impressive as expected and neither Japan nor India was satisfied with this result.

India's trade with Japan in 2003 consisted at 3.94 billion. While Indian exports amounted to \$ 1.86 billion, imports stood at \$ 2.08 billion. The trade balance in 2003 was in favour of India (\$ 27.70 million), according to Ministry of Commerce, Government of India.⁴⁰

Export Trend: Export between India and Japan showed a fluctuation on a year to year basis. By 2003-04, the values of export could not reach the level of 1997-98 as given in table 5.2.

1. India has maintained an overall negative growth rate over this period.
2. Besides negative growth, India's share has consistently fallen during the 1990s and continued to fall in the new millennium.
3. Further, India's, basket has remained limited germs, jewellery, marine products, iron ore and cotton yarn and fabric constitute around two thirds of its total exports to Japan. These were mainly labour intensive, low value-aided and natural resource based items.
4. None of the export items in the following table shows a consistent positive growth.⁴¹

Table 5.2

Composition of India's Exports: Japan

(US, \$ Million)

Commodities	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
All Commodities	1900.72	1651.50	1685.46	1782.20	1515.58	1868.86	1718.88
Gems and Jewellery	332.63	344.06	449.99	386.34	382.33	418.61	356.02
Marine product	559.79	488.16	491.57	510.69	345.41	322.20	238.25
From Ore	231.21	184.91	96.08	119.04	110.00	309.06	179.54
Cotton yarse Fab. Modeupsite	129.00	79.26	104.24	108.86	111.28	117.29	97.63
Drugs, Pharm & Five chemis	23.81	27.67	28.45	30.62	31.83	50.12	67.12
RMG of Cotton incl. accessions	63.48	59.1	62.31	86.00	68.48	53.58	61.77
Electronic Goods	7.82	14.18	20.22	29.90	41.25	60.28	61.50
Machinery & Instruments	28.28	43.12	25.54	28.49	29.11	54.28	54.78
Oil meals	35.19	43.17	40.06	34.25	9.94	17.28	48.12
Inorglory / agro chemicals	13.69	13.78	13.89	21.09	16.05	27.69	31.32
Dyes, intermediates etc.	20.57	18.24	13.47	15.90	17.55	18.19	23.65
Paints/enamels/varnishes	30.99	26.66	20.86	24.15	22.97	25.23	23.06
Processed minerals	22.49	15.95	16.15	18.82	22.53	18.06	20.35
Man made yarn, Fab made up	4.38	3.77	3.69	7.67	6.64	12.41	19.80
Cashew	26.04	25.64	29.72	26.74	16.57	20.03	19.37
Spices	18.53	19.37	19.15	22.98	23.15	20.96	17.41
Pritsemi-fin. Iron & steel	28.37	2.19	8.25	8.84	8.19	7.77	16.34
Residential Chem. & allied prod	18.36	11.70	10.97	12.23	11.44	13.26	15.40
Ferro allows	39.94	18.44	19.63	29.88	4.06	4.80	15.39
Tea	16.53	14.10	12.62	11.25	9.47	9.61	14.68
Manufactures of metals	10.76	6.89	8.07	12.52	12.37	14.79	14.60
Castor oil	14.38	12.13	17.87	17.97	13.64	15.72	12.71
Transport equipment	3.77	7.86	5.89	4.58	5.15	6.70	11.52

Carpet: hand made	16.49	10.15	11.26	13.34	11.82	9.78	11.45
Other Ores and mineral	31.93	26.33	27.35	29.67	23.18	22.06	10.22
Plastic and diadem prod.	2.95	4.64	5.67	10.96	7.38	4.26	9.05
Project goods	-	0.27	41.04	0.44	1.95	1.22	8.81
Handi crafts incl. hand made carp.	7.69	6.8	8.03	11.17	11.18	12.95	8.61
Cosmetics / toiletries	5.06	6.09	6.61	6.33	6.1	6.06	8.46

(% Change)

Commodities	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
All Commodities	-5.32	-1311	2.06	5.74	-14.96	23.31	-8.03
Gems and Jewellery	-28.28	3.43	30.79	-14.15	-1.04	9.49	-14.95
Marine product	17.08	-12.80	8.70	3.89	-32.36	-6.72	26.05
From Ore	-2.29	-20.03	-48.04	23.90	-7.60	180.97	-41.91
Cotton yarse Fab. Modeupsite	20.93	-38.56	31.52	4.43	2.23	5.40	-16.76
Drugs, Pharm & Five chemis	8.66	16.18	2.85	7.62	3.95	57.45	33.93
RMG of Cotton incl. accessions	-12.65	-6.86	5.38	38.02	-20.37	-21.76	15.29
Electronic Goods	-4.36	81.33	42.53	47.90	37.94	46.15	2.02
Machinery & Instruments	88.36	52.5	-40.78	11.56	2.17	86.49	0.92
Oil meals	-38.50	22.66	-7.20	-14.48	-70.97	73.81	178.46
Inorglory / agro chemicals	11.67	0.63	0.77	51.87	-23.90	72.57	13.11
Dyes, intermediates etc.	-5.63	-11.32	-26.14	18.03	10.38	-207	31.63
Paints/enamels/varnishes	13.85	-13.97	-21.77	15.77	-4.86	9.83	-8.59
Processed minerals	-31.82	-29.08	1.27	16.47	19.76	-24.29	19.27
Man made yarn, Fab made up	13.12	-14.12	-2.10	107.97	-13.43	86.96	59.53
Cashew	-6.78	-1.55	15.93	-10.03	-38.05	20.93	-3.31
Spices	-5.46	4.50	-1.11	20.00	0.71	-9.43	-16.96
Pritsemi-fin. Iron & steel	-52.24	-92.28	276.72	7.15	-7.30	-5.19	110.31
Residential Chem. & allied prod	52.97	-36.27	-6.25	11.49	-6.44	15.91	16.16
Ferro allows	0.17	-53.82	6.40	52.26	-69.69	-46.98	220.49

Source: Ibid PP 176-178, see ref. No. 41.

REASONS OF SLOW EXPORTS:

There was not a single reason which could be considered as main reasons behind low exports. In a survey conducted by Delhi School of Business gave their opinion that the India's export trade to Japan could not rise since 1991, the reason behind this was that the exporter of our country were facing number of problems like lack of export marketing information, inadequate infrastructure facilities, procedural compositions and delay in clearance in ports. The positive sign of liberalization was shown up to 1995 but after that there had been several of the trends.⁴²

The relations between India and Japan came under the conflict after India conducted nuclear test at Pokhran on May 11 and 13, 1998. The sanction against India under Nuclear Proliferation Prevention Act 1994 on May 13, 1998 has also affected export trade to Japan, because Japan was in US camp and U.S. was the prime mover of Japanese, core policies.

Therefore Japan had imposed economic sanction against India for all types of grant and aid for new projects. Hence the trade between the two countries came under the shadow.⁴³ Japanese reaction, toward NPT was understandable because Japan was the only country in the world which was having first hand experience of the destruction of atomic bombs dropped by United States of America.

Another reason of slow exports between India and Japan was the recessionary tendencies across the world. This severally affected the

India's side of our export. According to economic survey, structural constraints operating on the demand as well as supply side of our exports contributed to the decline in the export during 1996-97 to 1998-99.⁴⁴

IMPORT TREND:

Table 6 show an overview of India's imports from Japan during 1997-98 and 2003-04. It was noticed that import from Japan got fluctuated time to time. The salient features of India's import from Japan are given below:

1. Import have also fluctuated from year to year although the total value of imports reached \$ 2649.26 million in 2003-04 compared to \$ 2147.49 million in 1997-98, unlike exports, imports showed positive growth rates.
2. India's imports mainly comprised high value added and capital intensive items and exports were concentrated in non-electrical machinery, electronic goods, transport equipment, iron and steel and organic chemicals.
3. Some other capital goods dominated India's imports from Japan in the late 1990s and in the new millennium.⁴⁵

Table 6: Composition of India's Imports: Japan

(US \$ Million)

Commodities	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
All Commodities	2147.49	2465.17	2538.89	1835.52	2153.76	1840.10	2649.26
Non electrical machinery	478.69	489.62	500.13	404.98	361.61	420.97	619.62
Electronic Goods	198.36	214.74	230.00	211..23	241.93	257.87	329.73
Transport Equipment	227.37	17.64	392.3	159.53	365.33	113.70	268.94
Professional inst. Optical goods etc.	139.97	158.13	176.04	161.09	187.84	196.11	207.81
Iron & Steel	192.32	189.10	157.64	114.06	126.91	132.54	187.28
Organic Chemicals	152.87	124.49	120.47	112.54	118.61	119.08	154.93
Machine tools	65.06	66.93	84.54	61.90	38.33	36.58	119.23
Manufactures of metals	34.71	51.46	95.32	84.40	50.63	52.86	86.93
Electrical machinery	45.59	59.16	54.28	58.76	66.04	53.45	80.78
Pesins and plastic etc.	65.15	69.91	56.09	48.21	61.00	58.25	67.46
Coal, Coke & briquetters	11.77	42.26	29.21	19.73	31.44	42.57	65.82
Project Goods	216.55	467.77	331.65	76.48	123.43	51.93	60.20
Chemical material & products.	25.79	35.14	40.29	38.71	45.48	38.76	55.31
Non ferrous metals	19.86	23.98	16.54	14.30	13.74	17.12	32.75
Synthetic & reclaimed rubber	33.97	32.62	27.11	33.08	23.02	22.11	28.27
Dyeing, Tanning & colouring materials	11.67	13.73	15.35	12.88	15.18	19.88	27.79

Non metallic mineral mufs.	16.13	21.39	17.99	18.40	21.79	13.70	19.12
Inorganic chemicals	21.43	23.86	20.48	19.80	21.38	15.96	17.16
Man made filament/spun/yarns/waste	-	-	8.22	10.77	29.60	21.41	14.35
Medicinal & Pharmaceutical Products	12.13	12.91	11.49	11.93	8.95	12.49	11.71
Cotton yarn & Fabrics	-	-	1.18	1.34	1.27	7.25	11.58
Paper board & manufactures	8.37	8.62	8.36	7.46	23.98	6.33	9.80
Synthetic & regenerated fibres	26.38	24.97	10.06	11.36	9.66	9.80	8.35
Metallic ferrous Ores & metal scrap	12.05	34.30	13.75	8.13	19.65	11.17	8.02
Other taxt, yarn, feb, modeups arts.	-	-	6.52	4.57	5.35	5.43	6.74
Sulphur & Ulroasted iron phyrrites	2.97	2.92	3.68	2.06	2.08	1.45	6.43
Pearls precious & semi previous stone	2.16	4.80	8.84	12.65	13.00	6.38	6.18
Computer software	4.70	6.09	4.91	1.55	1.60	2.01	4.08
Madeup textile	-	-	0.27	0.19	0.80	2.30	3.18

Source: Op.cit. No. 41, Pp. 179, 180, 181

Table 7: Composition of India's Import: Japan (Continue)
(% change)

Commodities	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
All Commodities	-1.91	14.79	2.99	-27.70	17.34	-14.52	43.90
Non electrical machinery	1.68	2.28	2.15	-19.03	-10.71	16.42	47.19
Electronic Goods	31.5	8.26	7.11	-8.16	14.28	6.82	27.87
Transport Equipment	-22.61	-30.66	148.91	-59.34	129.01	-68.88	136.53
Professional inst. Optical goods etc.	3.75	12.98	11.33	-8.49	16.61	4.40	5.71
Iron & Steel	-4.61	-1.72	-16.60	-27.65	11.27	4.44	41.30
Organic Chemicals	7.67	-18.56	-3.23	-0.58	5.39	0.40	30.11
Machine tools	-43.16	2.88	26.31	-26.78	-38.08	-4.56	225.96
Manufactures of metals	-23.02	48.28	85.23	-11.45	-40.01	4.39	64.46
Electrical machinery	5.80	29.76	-8.25	8.26	12.40	-19.06	51.12
Artificial, resins, plastic metals etc.	-24.26	7.30	-19.76	-14.65	26.53	-4.50	15.81
Coal, Coke & briquetters	-2.88	259.05	-30.87	-32.46	59.36	35.39	54.62
Project Goods	12.03	116.01	-29.10	-76.94	61.39	-57.89	15.82
Chemical material & products.	29.25	36.27	14.66	-3.93	17.48	-14.77	42.70
Non ferrous metals	-46.68	20.73	-31.01	-13.59	3.90	24.64	91.28
Synthetic & reclaimed rubber	-11.79	-3.96	-16.90	22.03	-30.42	-3.96	27.90
Dyeing, Tanning & colouring materials	32.01	17.64	11.78	-16.08	17.86	30.95	39.83
Non metallic mineral mufs.	-21.20	32.61	-15.90	2.26	18.46	-37.14	39.57
Inorganic chemicals	13.54	11.36	-14.18	-3.33	8.00	-25.34	7.48
Man made filament/spun/yarns/waste	-	-	-	30.99	174.85	-27.67	-32.98

Source: See reference No. 41 PP, 179, 180, 181

HIGHER GROWTH OF IMPORT:

It has been studied from different sources that there had been buoyancy in India's import from Japan since 1980-81. In a survey, it was noted that the value of import which was Rs. 749 crore in 1980-81 increased up to Rs. 10237 crore in 2001-2002. Since that time the value of import has increased at a faster pace. The main reason behind it was growing import from Japan include huge import of industrial inputs and other consumptions goods. In spite of it liberal import policy of government and liberal import of non essential item also included the import in our country.⁴⁶

From the above conclusion it has to be marked that India and Japan always maintained good relation to promote trade. No doubt the relation between the two became bitter during 1998-99 as India conducted nuclear test because Japan was only the country which has faced the repercussions of atoms bomb during the Second World War. So she was very much conscious about the nuclear weapons. And the another things was that Japan was a close ally of U.S.A. Japan followed all the policies made by U.S.A. America never wanted, India to become a nuclear power. Thus both the countries imposed sanction against India but culturally emotionally and religiously Japan is very much close to India and

following the same path Japan is paving way for economic development and prosperity.

INDIA'S OVERALL TRADE WITH JAPAN:

SOME IMPORTANT POINTS:

1. India's export has suffered on account of a prolonged deflationary phase in Japan. It has been pointed out that the over all imports from Japan, showed negative growth rates of 8 percent in 2001 and 21 percent in 2002. Importantly, by 2001-02 for the first time in the global economy of the post war years; there was a synchronization of recession in U.S.A., E.U and Japan. Japan's share of world imports fell to 5.2 percent in that year from a level of around 6.5 percent in earlier time.
2. There has been little FDI trade nexus in the overall India-Japan relations, unlike that of Japan and East Asian and South East Asian countries.
3. Most remarkably, India's medium term export strategy (2002-07) documents indicated that India has been losing competition in the Japanese markets in its top 100 import items. Among the top 10 exporters to Japan, U.S.A. figure in 91 items, china in 76 items, Korea 66 items and India only 11 items. Recently China is ahead of India's export good to Japan except iron ore and concentrated diamond and

fish⁴⁷. Today, not only Japanese but also Indian market is full of Chinese product. The most important reason of this is that India is not maintaining the quality. Its items are not suitable to Japanese market. But India has improved a lot to maintain a quality and trying to maintain stability not only in Japanese market but also in global market.

Japanese Prime Minister Shinjo Abe visited India with a large business delegation on 20th August 2007. Prime Minister Abe's Visit comes after Prime Minister Manmoham Singh's visit in December to Japan, which itself was preceded by the visit of Prime Minister Koizumi in 2005. They discussed a comprehensive economic agreement with Japan. The Prime Minister Abe came with 180 senior business leaders to discuss number of issues but they mainly concentrated on economic development. They had convinced that the growth of Indian economy has created new opportunities for both trade and investment. Both India and Japan were interested to open sea lines of communication. Both the countries assured they depend on these for much of their energy imports. Their goal is to try and increase our trade volumes.

On August 22, 2007 the Indian Prime Minister Man Mohan Singh gave our view with a vision of how our two countries can and ought to move ahead in the coming years.

“Economic Partnership is at the core of our engagement. We have set a target for bilateral trade of US \$ 20 billion by 2010. A working group is to be set up to explore collaboration in setting up a new IIT.”⁴⁸

The economic development and prosperity is the core issue between the two countries. India is a rapidly growing developing country and Japan a technologically advanced mature industrial economy has been maintaining a closer tie with India to promote trade to great extent.

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Chapter IV

Indo-Japan Politico- Strategic Relations since the End of Cold War

CHAPTER-4

INDO-JAPAN POLITICO-STRATEGIC RELATIONS SINCE THE END OF THE COLD WAR

Disintegration of Soviet Union and the end of The Cold War the world scenario has changed to a large extent. The Indian Prime Minister P.V. Narsimha Rao had sincerely introduced an external oriented economic policy with a view to integrate its economy to the global economy.

The era after 1990's marked new changes when India started new policy in the wake, of economic reform and liberalization as India celebrated its 44 year of independence (till 1991). She wanted to play a dominant role in world politics as it had a large market and immense human resources as well as strong military power. Similarly Japan had begun to assert itself in the global arena and began to play a positive role in international affairs since the end of the Cold War. Japan has defined its new international role and was increasingly seeking an active and independent global political role.

The era of 1990s was very eventful as far as India Japan relations were concerned. Both the countries were keenly interested to develop close ties with each other. India had initiated a major decision to

liberalize its economy. The Look East Policy was introduced by the Indian Government at that time with the aim to enhance economic cooperation with both East and South East Asian countries. Japan had also reached at the stage where it was necessary for it to review objectives of its foreign policy. The Gulf war of 1990-91 had taught Japan some bitter lesson. Even Japan had contributed a huge amount of \$13 billion towards the war but it was not appreciated by its allies. Japan's 'cheque book diplomacy' was severely criticized by most of the countries. It was the time to seriously look and develop its ties with South Asian countries specially India. Hence the Japanese Prime Minister Toshiki Kaifu decided to visit some of the countries in South Asia in 1990. He visited India, Pakistan, Sri Lanka, & Bangladesh from 28 April-6 May 1990.

The Japanese Prime Minister Toshiki Kaifu was in New Delhi from 28-30 April 1990s. The visit had both political and economic aspect. India wanted to enhance political cooperation with Japan. She hoped to secure a better understanding of her problems as she was facing from the terrorism and violence aided and encouraged by Pakistan in Kashmir. This was evident when Prime Minister V.P. Singh told his Japanese counterpart that any incitement for terrorism would be firmly rebuffed by Indian people. Kaifu had replied that he believed the bases of cooperation between India and Japan lay in friendships and that he had fullest

understanding of India's commitment to peace in the region in particular and Asia in general. Later Japanese spokesman has clarified that Tokyo stand point was that India Pakistan should exercise restraint and settle their differences through negotiations in the letter and spirit of Shimla Agreement¹. So far Japan has continuously stressed on South Asian unity specially India and Pakistan. He also reminded that no one should remain in doubt about Japan's strict neutrality on the issue. Japan wants to play an important role by solving regional or global issues. Japanese P.M. himself repeated the official stand while addressing a joint session of both house of the Indian Parliament.

In spite of Japan's economic importance for India, there were both political and economic problems to be resolved between the two countries. Japanese economy was a booming economy requiring sound structural changes and adjustment and revival. Japan was granting aid and assistance to the number of Asian countries specially India. But Japan was experiencing economic slumps for much of the nineties. Due to this Japanese Foreign Ministry has decided to cut foreign aid for fiscal year 1992. It affected India a lot in comparison to other countries. However, subsequently the External Affair Minister Madhav Singh Solanki in the first high level Indian visit since R.V's trip in 1989 was assured by the Japanese Finance Minister of qualitative improvement and increased aid

to India's development. But Japan pressed India to sign on Nuclear Non Proliferation Treaty (NPT). As per Reuter Report from Tokyo quoting Ministry of Foreign Affairs officials they asserted that Solanki was urged by his Japanese counterpart, Michio Watanabe to sign the NPT and warned that countries with nuclear weapons or selling nuclear related material could be denied aid. Solanki had clearly said to the Japanese counterpart that in such prevailing global circumstances India could not sign the NPT because it would be discriminatory and put entirely unequal obligations on those haves or have not².

The India's stand was very clear as for as the global circumstances was concerned. Because the major countries have already made bombs and these nuclear power countries pressurized the countries who were in process. Japan is an economic superpower follows U.S. policies and put pressures to the countries who were receiving aid.

As a consequence there was much better understanding of India's stand on the NPT, Indian External Minister clarified at a press conference in Tokyo that the NPT would not affect Japanese aid to India. In spite of it both the Japanese Prime Minister and the Indian External Affair Minister agreed that there was an absolute need for the two countries to intensify their dialogue aimed at building as reliable foundation for cooperation. Miyazawa favoured India and Japan working together for a

structural motivation aimed at renovation of the United Nations to make its more representatives³.

India often approached Japan officially or unofficially to attract Japanese corporate interest for the economic development and political stability and to raise Indo-Japanese relations to a new height.

The Indian Prime Minister P.V. Narsimha Rao visited Japan in June 1992. The visit had a major economic impact but it could not be concluded without political importance.

After leading a large business delegation by Indian Prime Minister P.V. Narsimha Rao the same problem of signing NPT came to occurred. The Japanese Prime Minister Keeshi Miyazawa put pressure on Rao to sign Nuclear Non Proliferation Treaty (NPT). But Mr. PV Narsimha Rao gave reason to his Japanese counterpart, why India could not sign the treaty at this stage. According to a report Miyazawa, told Mr. Rao “Even if the NPT is not problem free, it is necessary to prevent the spread of nuclear weapons within the framework of the NPT”⁴. Miyazawa was well aware about the prevailing circumstance because every country was in armament race. He strongly opposed the armament race as having a very disastrous experience. But India being a leading Asian country, wanted to maintain good status in International arena. He knew very well that his neighbouring country like China having the same technology and others

like Pakistan also doing the same, so it was the demand of the time and India did the same. Rao had already explained that this is discriminatory because some countries have nuclear weapons and some not.

P.V. Narasimha Rao has successfully explained their view on the issue of N.P.T. He convinced Japanese Prime Minister Miyazawa. In spite of it the Japanese Prime Minister also suggested and Rao accepted the proposal for setting up of working level consultations saying, “We wish to hold more substantial bilateral consultation than ever”. It also included “exploring together the elements of a new international consensus on non proliferation.”⁵ Apart from these differences, Mr. Rao succeeded in paving the way for boosting India-Japan political and cultural relations.

The Air India has operated 6 flights weekly between India and Japan. This was a positive sign for future relationship. The Japanese Air Lines (JAL) has also started twice a week direct services between New Delhi and Osaka from 3 October 1996 and twice weekly services between New Delhi and Osaka from 6 October, 1996. In fact JAL has suspended air services in August 1992, the airlines maintained a sales network within India.

DIFFERENCE BETWEEN INDIA AND JAPAN ON THE FOLLOWING MATTERS:

SERVICE ON THE U.N. SECURITY COUNCIL:

During 1996 Japan and India clashed on the matter of becoming the member of U.N Security Council. Both the countries competed for election but Japan won a two year term (it's eight) over India (seeking its seventh term). Japan had won democratically over India. But both the countries had soft corner to each other as major countries of Asia. Although Japan being the economic superpower in the world while India as one of the largest democratic country in the world. Both resolved number of bilateral conflict in Asia as well as at global level.

Japan and India might better agitate for Security Council representation by teaming up. Each complements the other weakness, instead of merely appearing individually ambitious, as a team they can be seen as successful in bridging substantial differences.⁶

The end of the Cold War has changed the Japanese perception towards developing countries specially India. Japan has realized that the developing countries which form large number of membership of the United Nations General Assembly ought to have a voice in this global form in determining global issues.

The developing countries were dependent countries. The major exchange of view and decision related to U.N. were shared and hold by European and American participants. Keeping all this views Japanese security expert realized that India is the dominant country in Asia as well as among the developing countries. Meanwhile Japan wanted to have dialogue on security issue with India with a view to look global and regional issues in the Asian perspectives.

This was the second attempt on the security issue. The first one was held in February 1996 by Japan Institute for International Affairs in which several experts from the I.D.S.A participated. Japan and India exchanged dialogues on political and security issues along with it emphasized on role of UN, international peace, disarmament and preventing the proliferation of nuclear weapons. The two successful dialogues which were held between the two countries in 1996 had contributed for the future peace and prosperity of Asia.

The prevailing economic and political circumstances in Asia had affected Indo-Japanese relations in the coming year. Japan and India never had any direct politico- strategic clashes. But they had always some differences on certain issues like to eliminate and to delegitimize nuclear weapons at the global level.

Japan a candidate for permanent seat on United Nations Security Council, has decided to compete an election for a non permanent seat for the year 1997-98.

India and Philippines were also supposed to be a candidate from the Asian region for the United Nation Security Council (non permanent member).

Thus there was more than one candidate from Asia specially India and Japan infact both were the leading nations of Asia. In fact India was the founder member of the United Nations. Japan has urged the Asian nations specially India to come at one platform and decide one country unanimously for U.N.S.C. non permanent membership. All the Asian Countries had made a consensus and supported Japan to become the non permanent member of UN Security Council.

In a report on 21 February 1995 Japan, and India had discussed about the restructuring of United Nations Security Council. The director of the UN division in the Japanese Foreign Ministry Motohide Yoshikawa had joined the Japan's Ambassador in India and expected that both India and Japan would be the candidate for permanent seat on a restructured U.N. Security Council. The Yomiuri Shimbun reported that 'Yoshi Kawa's trip to India was in line with the Japanese government's

policy to support admission of India and other regional powers like Nigeria, Brazil, and Egypt to the Security Council⁷.

POST-POKHRAN-II: TURNING POINT BETWEEN INDIA JAPAN RELATIONS:

The relation between India and Japan continued to be free from conflict and these could be described as friendly and cooperative. However there were differences between the two countries on the issue of Non Proliferation Treaty (NPT). Japan under pressure from other countries specially U.S. pressurized India to sign the NPT. But Indian leaders were able to convince Japan that five permanent Security Council Members were availing and India could not sign this discriminatory treaty.

India maintains to continue its process and conducted a series of nuclear test on May 11 and 13, 1998. May, 1998s nuclear tests by India sent a shock wave to the world. On the other hand the Western Countries condemned the test and stopped economic aid to India. They tried to persuade Pakistan not to follow India in reaction⁸.

The test came as a big surprise not only to Japan and other countries but also to Indians. The news of India's first nuclear test with three explosions came as great shocked to the Japanese political leaders as well as foreign ministry. Japan had believed that India would be under

pressure as Japan granted one billion dollars in the form of ODA. Prime Minister Hashimoto strongly reacted by saying that Japan should review its aid policy toward India according to the ODA charter.

The first series of tests on 11 May led the government to suspend its grant, assistance and it withdrew to host the Indian Development Forum which was going to be held in Tokyo. The same measure was applied with China when China conducted nuclear test. The assistance which was three times that of what India received that day was only restored two years later when it decided to adhere to the CTBT.

When India conducted second series of test on 13 May 1998 Japan imposed another series of measures freezing or suspending yen loans (ODA) and took a cautious attitude towards future lending by financial institution and imposing of strict control over technology transfers.

The first reaction of the Japanese government to India's nuclear test conducted on 11 May was quite sharp, and it was clearly stated by the chief cabinet secretary on 13th May. Expressing the government's "dismay", the statement described the test as "a challenge to the efforts of the international society which seeks free from nuclear weapons"⁹. Japan immediately imposed economic sanctions on India and described it as economic measures. These economic measures were carried on two stages. Humanitarian and grass root assistance was not covered by these

measures. It landed by Japanese EXIM Bank and trade insurance to India by MITI was not covered by these measures¹⁰.

The Japanese ambassador to India was recalled temporarily for consultation. The Prime Minister Hashimoto emphasized his determination to G 8 to send a clear and strong message against India's nuclear tests. Japan strongly criticized India's nuclear test and described as an intolerable challenge to international society. The Diet on its part went further and described the tests as an act of destruction of the global environment and eco-system and constituting a threat to the survival of human beings. Japan also imposed the economic measure by canceling a number of official dialogues, snapping communication during the time when it was most needed¹¹. Japan was aware about the fact that India's nuclear test would put pressure on Pakistan to retaliate. Hence Japan continuously alarmed both the countries about the nuclear race because these two countries would have made deeper implications for the rest of the world. They strongly criticize India's nuclear test at the Birmingham summit held on 17-18 May. Hashimoto had said that countries that observed international agreement and regulations should be rewarded and those which did not should be punished. The summit was divided on the nuclear issue. Japan and U.S as close ally had already been enforced sanctions on India and wanted other member of the group to adopt similar

measure¹². But France, Britain Russia did not show much interest and they had said that these measure could not produce any result, Nevertheless, there was a strong opinion within the summit that more effort should be adopted to stop a further escalation of the situation in South Asia. The G 8 countries asked India to “adhere unconditionally to the NPT and CTBT and to enter in to negotiation on a global treaty to stop the production of fissile material for nuclear Weapons”. They urged Pakistan to, “Exercise maximum restrain in the face of these tests and adhere to international non proliferation norms”. In order to tolerate Pakistan from taking any retaliatory step, Hashimoto sent a special emissary Noboro Seiichiro to Islamabad from Birmingham for that purpose. Noboro met Pakistani leader including Prime Minister and Foreign Minister. Japan had said that it would increase its financial assistance if Pakistan did not conduct test. But Noboro was not able to convince Pakistani leaders as they complained that the G-8 countries “had not suggested any measures that could satisfy our legitimate security concerns. Finally when Pakistan conducted a series of test, Japan adopted measures similar to those taken against India¹³.

Despite all the effort done by Japan to restrain Pakistan to conduct nuclear test had become useless. In fact Japan continuously warned Pakistan that we will cut ODA if Pakistan conducted the nuclear test. On

the country, Pakistan demonstrated its nuclear power by conducting the nuclear test on 26 May 1998.

Pakistan's case was even more severe because the suspension of yen was imposed from the beginning. Pakistan had to pay price for ignoring Japan's repeated warning. Japanese policy makers were also shocked by the act of Pakistan. In that way Japan's biggest weapon (ODA) was not effective to the economically weak, country like Pakistan then how it would become effective to the self-sufficient country like India.

Japan the largest donor country to Pakistan with its ODA amounting to US \$ 241.03 million (\$781.1 million) grants and \$ 162.92 million loans). Having imposed severe sanction on India, Japanese leaders were hoping, if not confident, that Pakistan could not afford to ignore Japan's warning. However Japanese, ODA diplomacy proved to be ineffective and futile.

JAPAN'S EFFORTS IN PEACEMAKING IN SOUTH ASIA IN THE AFTERMATH OF MAY 1998 NUCLEAR TESTS:

Japan has failed to prevent Pakistan to conduct the nuclear test. But Japan continued its effort to bring world opinion to condemn the nuclear test in the sub-continent, which materialized to some extent as a resolution of the UN Security Council on 6th June. The resolution condemned the nuclear test conducted by India and Pakistan. They urged

the two countries to stop further nuclear programmes and sought to deny them the status as nuclear states. The resolution was initiated by Japan, Costa Rica, Slovenia and Sweden and the Security Council voted it unanimously. Japan has described it as bigger achievement than previous years.

The international community was also aware about nuclear race between the two neighboring countries. They were fearful about the repercussion and put pressure to renounce the nuclear programme. The economic pressure came from G-8 countries, regional pressure came from ASEAN, which had adopted a nuclear free zone policy and moral pressure from a forum of four countries, Argentina, Brazil, South Africa and Ukraine which had discarded the once active nuclear weapons project. The “Permanent five” countries of the Security Council were also observing the root causes of hostile relations between India and Pakistan. The important issues between them were the Kashmir dispute¹⁴. Pakistan was happy with them and welcomed the prospects of internationalizing the Kashmir problem. But India rejected the “coercive and intrusive” intervention of the Western states in the bilateral issue. Japan had already applied the policy of disarmament towards India with United States and some Western countries in relation of economic sanctions. Along with United States, Japan had lifted its economic measure against Pakistan

because she argued that the Pakistan's economy was in a perilous state and that the government was closer to signed the CTBT than India. She continues to maintain these measures against India¹⁵. The prospect behind lifting sanction was that, the US was very much close to Pakistan. In fact India was close to former Soviet Union. Therefore, India suffered due to the personal rivalry of USA and former Soviet Union, Japan followed the US interest policy. She never initiated any issue without US concerned. But in this meter (nuclear test conducted by India and Pakistan) Japan initiated tough step against these two countries because Japan had a very disastrous experience. Though Japan being very close to India socially, emotionally or culturally. She wanted to maintain peace prosperity and political stability in South Asia, specially between India and Pakistan because these two countries were indulged in nuclear race.

On 12th June an emergency meeting was held at London amongst the foreign ministers of G-8 countries to discuss further views on nuclear issue. The joint communiqué of the meeting, for maintaining and consolidating the international regime on the non proliferation of nuclear Weapons, urged India and Pakistan to join the C.T.B.T.

Besides imposing economic sanctions, the US spearheaded the Western effort to actively engage both countries in negotiation and

continuously demanded them to sign the Comprehensive Test Ban Treaty (C.T.B.T.) immediately and unconditionally¹⁶.

The increasing pressure, the Pakistani Prime Minister had said in his speech to the UN General Assembly in September 1998 that Pakistan was preparing itself to sign the C.T.B.T. within one year. Responding it the Indian Prime Minister also suggested the possibility of an early signing of CTBT.¹⁷ Therefore both countries resumed foreign secretary level talks on the line of controversial issues including Kashmir in October 1998. Thus two processes were in progression.

The Indo-U.S. and Pakistan U.S. nuclear non proliferation talks involving the US Deputy Secretary of state strobe Talbot, the Indian Foreign Minister, Jaswant Singh and the Pakistani Foreign Secretary, Shamshad Ahmad, started new live, Indo-Pakistani talk to address the root causes of the tension between the two countries and to come up with measures, which have been mostly conducted by Foreign Secretaries of both countries, K. Raghunath and Shamshad Ahmed with occasional meeting by Prime Ministers.

This process was progressively going well and in November 1998 the U.S. decided a partial lift of sanction in response to the announcement by countries of voluntary moratorium on further nuclear tests¹⁸. Both Japan and U.S were very well aware about both the countries

determination. They wanted to prevent further nuclear test at any cost. Both Japan and U.S. also knew that Kashmir is the core issue between the two countries since independence.

So both the countries exposed their power potentiality by conducting nuclear test. Therefore Japan wanted to make always negotiation between India and Pakistan.

JAPAN'S EFFORT IN PEACE KEEPING BETWEEN INDIA AND PAKISTAN ISSUE:

Japan's effort was not ended by imposing sanctions. He wanted to maintain peace and stability between India and Pakistan. Japan knew very well that the root cause of the Indo-Pak conflict was the Kashmir issue. Japan was interested to mediate between the two countries on Kashmir conflict. Japan was the only country which had experienced the devastation by nuclear weapons. Thus she strongly condemned the nuclear test conducted by India and Pakistan. Japan had imposed various economic measures against India and Pakistan for the sake of peace and prosperity and stressed on disarmament.

India and Pakistan are close neighbouring countries. They were deeply engaged in armament race. Even Japan was the largest ODA donor for both the countries. Keeping in mind Japan imposed economic measure against both the countries to prevent armament race. Japan has

realized that if both the countries would not be financial sound they would not initiate further test. "Japan followed ODA Charter. It immediately suspended new grants (excluding emergency and humanitarian assistance and grass root grants) and new yen loans to both countries and hinted at its intention to disapprove loan programmes to India or Pakistan by international financial institutions¹⁹. Thus, Japan's yen loan to India fall from 132.7 billion yen (US\$ 1.11 billion) in 1997 to 11.5 billion yen (US \$ 96 million) in 1998, and Japan's grant to India, from 3.5 billion yen US \$ 29.4 million) in 1997 to 398 million yen (US\$ 3.3 million) in 1998. Likewise Japan's yen loan to Pakistan was reduced from 32 billion yen (US\$ 270 million) in 1997 to nil in 1998, and Japan's grants aid to Pakistan, from 5.7 billion yen (US\$ 47.6 million) to 566 million yen (US \$ 4.7 million) in 1998²⁰. Thus, both India and Pakistan suffered from economic crisis imposed by Japan or world community but the intention behind that was to maintain peace and to halt nuclear race.

When Pakistan conducted nuclear test it drew world wide attention. It was a golden opportunity for Pakistan just after the second series of nuclear test on 30th May. Pakistan's Prime Minister Nawab Sharif told the reporters that the world community would not be able to stop nuclear arm race in South Asia unless the Kashmir problem is resolved. With this argument Pakistan's Foreign Ministry invited Japanese Ambassador

Kubota and urged to Japan to mediate on Kashmir issue. Kubota himself realized that the international intervention was necessary as for as the circumstances was concerned to maintain peace in South Asia. Pakistan's Prime Minister Nawab Sharif told Nihon Keizai Shimbun in Islamabad that Tokyo should play a dominant role in resolving the Kashmir problem.

With the view of Pakistan Prime Minister the Japanese Foreign Minister Obuchi realized that how India would react to it as they wanted to make Kashmir an international issue. Instead of it Japan offered to host an international conference in Tokyo on 1 June in which Japan has invited India and Pakistan and asked to reduce the tension, in South Asia in general and Kashmir in particular. Even U.S. discouraged and said that this was not a good time. But Obuchi was more interested to play an active role like sending a special envoy. On 11 June 1998, the House of Councilors, Committee on Foreign Relations and Defense conducted a meeting to discuss nuclear issue of Indo-Pakistan relationship. Four experts were invited there to give their view including Obuchi. They had said that it is impossible to mediate on the Kashmir issue. But Obuchi was very much interested and next day he went to London to attend the G-8 Foreign Ministers meeting and gave Japan's opinion. He said that Japan might be able to play an important role and for the purpose wanted

to visit Delhi himself. But his idea had dropped due to foreign some of the member states of G-8 did not welcome such a move. But Obuchi submitted his opinion and showed interest his (to mediate India and Pakistan) to the Western power.

Consequently with the recommendation of Japan both the United Nations Security Council resolution and the G-8 joint communiqué has urged India and Pakistan to restart bilateral dialogue to resolve all outstanding issues including the Kashmir problem.

Japan has also initiated to send a special missions regarding CTBT to non-signatory states urging them to sign the treaty. He thinks that these measures may help in maintaining and strengthening the NPT regime and put extra pressure on India and Pakistan on the nuclear issues.

During the meeting which was held in Birmingham, New York and London, Obuchi Keizo, the then foreign minister of Japan was quoted as advocating an international conference for finding a solution to the Kashmir issue. He was also credited with a proposal to hold a peace party in Tokyo, if both India and Pakistan agreed.

Japan has engaged in a number of direct talks at high level with India and Pakistan signing the CTBT and under take other non proliferation measures²¹.

Like the U.S under the Clinton administration, Japan has linked the desirable development in the nuclear policy of India and Pakistan to its consideration of lifting its economic sanctions (The Japanese Government prefers to use the term economic measures).²² Thus, in October 1998, in response to Pakistan pledge to join the CTBT by September 1999 and to put a more strict restriction on the export of nuclear and missile technologies and materials, Japan supported IMF's emergency package to the country as an extensional measure. Other than that, Japan only hinted to consider lifting its economic sanctions against both the countries remains in place until it decided to lift them in October 2001 in order to facilitate the US war in Afghanistan²³.

From the above discussion Japan had not been successful in the light of India and Pakistan to make them sign the CTBT by administering aid sanction and other measures. It had looked for a new strategy in peace making in the Indo-Pakistan conflict. Japan, over the years had followed it assiduously, matching for example, every visit to India with one to Pakistan. The Pro Pakistan attitude of Japanese government during the Kargil conflict embittered the relations between the two countries. But later Japan justified its stand on Kargil by asserting that it had no independent means of ascertaining the nature of the extrusion into Kargil. Further, the presence of Japanese tourist on the hijacked Indian Airlines

aircraft which was taken to Kandhar (Afghanistan in December 1999 provided Japan a closer view of situation in the region and it openly condemned all terrorist acts) aggravated Japan's concern.

JAPANESE POSSIBLE ROLE IN PEACE PROCESS BETWEEN INDIA AND PAKISTAN CONFLICT:

Japan can play very important role in maintaining peace in South Asia in general and between India and Pakistan in particular. The most dangerous issues between the two countries are-

- a) Nuclear Non Proliferation issues, and
- b) The Kashmir issue.

NUCLEAR NON PROLIFERATION ISSUE:

Japan had already played a dominant role in this regard at international level as well as at various UN conferences. It helped the 2000 NPT review conference adopt a final document in which the nuclear weapon states made an "unequivocal pledge" for the total elimination of nuclear weapons at the UN General Assembly in November 2000²⁴. The resolution had stressed on world peace, prosperity and regional security by total elimination of arms. It was also expected that the idea of non proliferation will promote national security.

Japan raised the issue of nuclear testing by India and Pakistan in the UN Security Council and was instrumental in the UN resolution of June 6, 1998 that called for “maintaining and consolidating the international regime on the non proliferation of threat against the preservation of peace and security of Asia and other regions²⁵”.

On February 28, 2000 a seminar was organized by Jawahar Lal Nehru University at New Delhi on Japan South Asia Cooperation. On this historical seminar Japanese ambassador Mr. Hiroshi Hirabayashi welcomed the talk between Indian and Pakistani's Prime Minister and termed it as symbolic step towards confidence building between India and Pakistan. In this speech Hirabayashi expressed that South Asia is located between the natural resource rich region of central Asia and the Persian Gulf. He has said that in the future policies of Asia, India and Japan could be strong and reliable partners because both the countries fundamentally share such common values like democracy, freedom of press, faith on Judiciary and market economy. Japan often tried to solve the dispute by peaceful means because both the countries India and Pakistan would be benefited from a peaceful and stable environment in Asia. Tokyo and New Delhi could strengthen political cooperation in and out of their countries. South Asia could no longer be politically neglected by Japan which was assuming more and more responsibility in international affairs.

Because of its large size and weight, South Asia in general India in particular assumes great importance in management of global issues²⁶. But Japan always stressed in signing CTBT as well as to solve bilateral issues of neighbouring countries.

The National Security Board of India released the draft of Indian Nuclear Doctrine aimed at preparing for nuclear arms adequate retaliatory capability. Japan expressed its concern that report can lead to further undertaking of the weaponisation and deployment of nuclear weapons in India. These nuclear race will promote tension and frustration among the neighbouring countries specially India and Pakistan. At that time Japan invited Jaswant Singh, the then Foreign Minister to keep the process of bilateral dialogue alive and impress India, the need to maintain and strengthen the nuclear non proliferation regime.

Japan always kept asking India to sign CTBT by making number of committees. Japan set up a joint committee on disarmament and agreed to revive the India-Japan parliamentary group and establish committees to find ways for increased collaboration on the socio-economic development.

Japan has seriously criticized Pakistan's Military regime under General Pervez Musharraf and warned Pakistan that it would place Pakistan in a difficult situation not only at national level but also at

international level. In his meeting with President Rafik Tarar, with Vice Foreign Minister of Japan, Ichita Yamamoto told the Pakistan leader that Japan's decision of not to lift the economic sanctions imposed on Pakistan until Islamabad gave a clear time table for a return to democracy and signed the Comprehensive Test Ban Treaty. This message was again reinforced when Pakistan Foreign Minister, Shahabzada Yakub Khan met the Japanese Foreign Minister Yohu Kono in Tokyo on November 8, 1999.

Tokyo prepared a report regarding nuclear non proliferation and disarmament as the world was facing nuclear danger. In an action plan Japan urged India and Pakistan to maintain a moratorium in nuclear testing, sign and ratify the comprehensive Test Ban Treaty. The report also urged the two countries to implement nuclear risk-reduction measures, suspend missile flight tests, confirm pledges to restrain nuclear related exports and take immediate steps to resolve the Kashmir dispute.

THE KASHMIR ISSUE:

The independence of India and Pakistan gave birth such a region which has become a headache for both the countries till date. This region is known as Kashmir. Both the countries often fight to occupy the large part of Kashmir as well as claiming that it belongs to each of them. Both the countries spend a huge amount of national income since the past half

century. Several efforts have been made to solve this egoistic issue but no formula has become applicable.

There is always a condition of mistrust and suspicion between the two countries. In order to promote peace between the two countries there is an urgent need of international support but India totally opposed any kind of mediation afraid of internationalization of Kashmir issue. The United States of America has given more commitment in regard of Kashmir issue particularly in order to reward Pakistan's cooperation with the U.S war effort in Afghanistan. In order to understand Japan's role in promoting peace process between India and Pakistan on the issue of Kashmir, Japan may play two way roles.

Firstly, Japan can try quite diplomacy in supporting and guaranteeing the peace process. Japan may consider adopting a positive linked strategy in which more economic aid was linked to the progress of the peace talks. The international community has silently granted Japan the mandate to conduct such task. Thus Japan being an economic super power trying to implement its quit diplomacy to promote peace process by providing aid and assistance to both the countries. The presence of Japan with its command of huge economic resources and the quite diplomatic skills could have put international guarantee on the peace process without causing India's concern about the internationalization of

the Kashmir issue. In prevailing circumstance it is necessary for Japan to closely follow the reality of change of reality within Kashmir. The Kashmir people have emerged as a collective actor in this issue since their uprising started in late 1980.

There are some organizations representing them such as the All Party Hurriyet Conference (APHC) and the Jammu & Kashmir Liberation Front (JKLF) had been engaged in political affairs. Therefore the peace process required to include three parties India, Pakistan and the representatives of the Kashmir people a task which required sensitivity, cooperation and stability.

Secondly, Japan can help to create a “Formula for a way out” for all the parties concerned on this matter. It would require a lot of exercise from Japan through diplomatic dialogues and other contacts so that it may not only acquire the holistic understanding of the Kashmir issue but also became sensitive to the vital needs of both countries. Japan had already appeared on the right track as the Japanese Ambassador to India said that Japan had deepened its understanding of the security concerns of both countries through bilateral dialogues on the CTBT. Japan may also be able to learn from the representatives of the Kashmir people, some of them have already proposed formula to solve the Kashmir problem by political means²⁷.

THE IMPACT OF 11 SEPTEMBER TERRORIST ATTACK BETWEEN INDIA-JAPAN RELATIONS:

The 11 September terrorist attack on America shocked whole world and humanity. This terrorist attack had changed the global circumstances and scenario and made aware all the countries about terrorist activities and movements.

Mori has seriously condemned the 11 September terrorist attacks on the US, as attack against freedom and democracy. The attack in Srinagar on 11 October 2001 was seen in the same aspect and condemned. After these attacks both India and Japan have come closer and cooperated each other in various aspect of security perimeter affecting central and South Asia. India has actively supported the anti terrorist stand taken by Japan and had praised Tokyo's decision to send SDF (Self Defense Force) to the Arabian Sea and the Indian Ocean region. India also provided landing, refueling and docking facilities to Japanese Fighter Jets and ships.

Japan had taken a serious stand against terrorism as having a painful experience. Mori had said that Terrorism was a serious problem not only for America but also for whole world specially India. He condemns terrorism wherever, whenever, and for whatever reasons. Japan always stressed on peace and prosperity.

The India-Japan declaration of 10 December 2001 had the ways for bilateral relations to move in qualitative, multiple directions. The strong relationship between India and Japan was a good sign for stable and prosperous Asia.

During the visit of former Prime Minister Atal Bihari Vajpayee to Japan in December 2001, Japanese Prime Minister Koizumi had said that Japan and India had never been at war and consistently followed the way for peace and prosperity. Both India and Japan approached to solve the dispute or conflict between or among the countries. Koizumi hoped that relationship between two countries would only strengthen through economic and security cooperation.

These factors would make the two countries get closer and shall promote global partner in future. During the visit of Japanese former Prime Minister Mori at New Delhi, Indian Prime Minister Atal Bihari Vajpayee reiterated India's determination to forge a global partnership in all aspects of India-Japan relationship. It may be economic, IT (Information Technology), defense or security related within the frame work of "strategic convergence of interest".²⁸

India's participation in the ASEAN Regional Forum has paved the way for regional level cooperation in this area. The number of discussion has been made at non governmental level between the experts, academics

and decision makers of two countries on political and security issues; regional as well as global need to encourage with the hope that it would provide inputs that became useful to the two governments.

It is the responsibility of all people, organizations, associations, education institutions as well as nations to cooperate each other in promoting peace, prosperity and regional security. History is witness that no war can be won without cooperation among nations. Even a superpower can not win without support and cooperation of others. The US bombing of Afghanistan needs logistic support from others. Japan which adopted two bills to enable its self defense forces to participate in war in a non combatant role also needed logistic support from India. Japan lifted its economic sanction from India after 11 September attack to maintain smooth relationship with India with a hope to eradicate terrorism from the region. No doubt India consistently make an effort to remove terrorism from the root as India in past had worst experiences.

On 10 December 2001 Shri Atal Behari Vajpayee had said in a speech in Tokyo regarding terrorism that the alliance between India and Japan can not have further respective and mutual interests as its sole aim. Together with our relationship with other countries we should actively promote the universal goals of freedom from wants, freedom from fear and mutual understanding between the people of the world²⁹.

Prime Minister Atal Behari Vajpayee emphasised this in 2002 that would mark the 50th year of our diplomatic relations. He had said that to enhance content in our bilateral relations would promote a qualitative change and will be significant at this anniversary. Our recent high level interaction had reminded us the importance of our shared traditions, values, beliefs and political system. It was a journey to lead our two countries, people and societies to rediscover each other more fully.

In the changing world circumstances both India and Japan realized that promoting economic interest was no doubt very essential but at the same time it was essential to look beyond it. Economic development and regional prosperity is only possible in a peaceful and stable world.

Both India and Japan had confronted with a new world reality. We have a cooperative role in the search for multipolar world order which would be humane, peaceful and equitable. Both the countries shared values and complementarities, both can together make a major impact virtually every where, whether it was a campaign against international terrorism or a global dialogue for development. India-Japan has agreed to strengthen their joint efforts against terrorism. “We recognize that fight against international terrorism had to be comprehensive and sustained”³⁰. Both India and Japan agreed to hold a dialogue on counter terrorism in the framework of India-Japan comprehensive security dialogue. The

strategic partnership was expected to become a pillar of support for the promotion of peace and prosperity of Asia and the World in future.

Some important issues of this strategic partnership could be identified as:

1. Cooperation between India and Japan in the areas of security and defence for peace and stability in Asia and World.
2. Security of sea lanes in the Indian Ocean.
3. Emergency security of the states.
4. Joint naval Exercise.
5. Countering International Terrorism
6. Nuclear non –proliferation, arms control, Disarmament and Weapons of Mass Destructions (WMDS)
7. UN Reforms
8. Maritime Security-fight against sea piracy.
9. Theatre Missile Defense/Ballistic Missile Defense (TMD/BMD)³¹.

The barbaric terrorist attack of September 11 emphasised a need for pluralistic democracy to protect a way of life against bigotry and intolerance. India and Japan were both wedded to ideal of a world without weapons of mass destruction. Both the countries support a cooperative and comprehensive approach to eradicate international

terrorism. Our cooperation in this area would be a positive, stabilizing factor in Asia and the World at large³².

In past years both India and Japan agreed to exchange high level visits, commenced a comprehensive security dialogue, resumed defense exchanges and shared perception on regional and global issues including or eradicating terrorism³³.

Japan in Asia always tried to promote peace prosperity and regional integrity. He always initiated to solve bilateral dispute between or among the countries specially India and Pakistan. Japan sends Vice Foreign Minister Seiken Sugiura, to Pakistan and India for the purpose to reduce tension between the two South Asian countries in conjunction with other friendly nations on 28th February 2002. at Singapore. In a separate development the Chinese Foreign Minister Tomg, Jianuan, Spoke to his American counterpart Colleen Powell and called for more balanced and fairer attitude from the international community to encourage a “direct dialogue” between India and Pakistan³⁴. The Japanese Prime Minister Junichiro Koizumi during a telephonic conversation on May 29 2002 urged his Indian counterpart Atal Behari Vajpayee to prevent a war with Pakistan “by all means and exercise restrain. On May 31, 2002 the special Japanese envoy and senior Vice Minister for Foreign Affairs, Seiken Sugiura, speaking to press persons after rounding of his

interaction with senior Indian policy makers, advocated positioning of international monitors along with Indian and Pakistani observers to verify by reduction of infiltration across the LOC³⁵.

Japan expressed its view and hope that the prevailing tension between India and Pakistan would be resolved after the Local Assembly Election in Kashmir and the General Election in Pakistan. On 18th October 2002 “The Japanese Foreign Minister, Yoriko Kawaguchi said the decision by India to pull its troops back from the international border with Pakistan and Pakistan reciprocal gesture constituted a positive step” towards the reduction of tension on the India Pakistan border”³⁶.

On October 22, 2002 External Affair Minister Yashwant Sinha told in a press conference at New Delhi to Japanese Prime Ministers, special envoy Y. Mori that India was disappointed at the international community’s inability to make Pakistan conform to its commitment to end cross border terrorism. Mori also met the Deputy Prime Minister L.K. Advani and conveyed to him that Japanese continued to pressure Pakistan on the issue of cross border terrorism³⁷.

Japan is a responsible as well as sufferer country and wanted to solve the conflict. She urged the world community to come forward and joined hands to resolve the tension between India and Pakistan.

The number of effort has been done by Japan as well as super powers like U.S, Britain, France etc but the problem still same. Both India and Pakistan had put allegation on each other for any types of disturbance within the country like terrorist attack, bomb blast etc.

In response of all such types of events the Indian Prime Minister Atal Behari Vajpayee told the visiting Japanese Foreign Minister Yoshiro Kawaguchi on January 8, 2003 at New Delhi that those who were saying to India to hold talk with Pakistan, they should told Islamabad to end terrorism directed against New Delhi. Ms Kawaguchi said Tokyo had called upon Islamabad to dismantle the terrorist base on its territory “Terrorism for whatever reason was not acceptable”.

The Japanese Foreign Minister deeply shocked by the brutal terrorist attack in Mumbai in August 2003. The Chinese Premier Wen Jiabao said he was “shocked” to hear about blasts. The German chancellor, Gerhard Schroeder, said that in this “Tragic” hour his government stood by India. The French Foreign Minister said, “No reason nothing can be justify the attack”. The Russian Foreign Minister in a statement “resolutely” condemned the Mumbai terrorist strike and noted “Striking similarities” between the Mumbai blast and the second terrorist attacks in Chechanya and Iraq where also car Bombs were used³⁸.

The advancement of technology made the human life more luxurious and comfortable in one hand. But it had become a serious threat for the human being in the form of nuclear and chemical weapons which is generally used by terrorist or during the war. It has occupied the center position in international relations. The message of peace, non-violence and harmony was spread by India and Japan. The former Prime Minister I.K. Gujral inaugurated the Seminar in Delhi and emphasised the relevance of Gandhism and Buddhism in a joint symposium of Indo-Japan Relations.

Both India and Japan are responsible country of Asia. They convinced each other for political stability and regional integrity by reducing the tension between the countries.

In a press conference in Washington on October 23, 2003 announcement made by the External Affairs Minister Yashwant Sinha developed the relations with Pakistan.

A French Foreign Ministry spokesperson described the Indian announcement as a “positive development”.

The Bush Administration welcomed India's latest proposal to improve relations with Pakistan. The State Department Deputy Spokesman Adam Ereli, said “They represent a major step toward establishing normal link between these two important neighbours.

The British Foreign Secretary Jack Straw warmly welcomed the statement by External Affairs Minister Yashwant Sinha. In Moscow the Russian Foreign Ministry welcomed India's, new peace proposal to Pakistan and expressed the hope that Islamabad would accept it then. Chinese Foreign Ministry spokesman, Zhang Qiyue in Beijing welcomed India's peace proposal to Pakistan. Again in a press conference at Beijing on November 26, 2003 China said "Better relations" between India and Pakistan would not only serve the interest of the two South Asian Countries and their people but also be "conducive to regional peace and development".

In Tokyo the Japanese Foreign Ministry Press Secretary welcomed India's "positive response" to the Pakistan Prime Minister, latest announcement on a complete ceasefire along the LOC in Kashmir and in the Siachen Glacier"³⁹.

Kashmir is the main factor in India-Pakistan conflict since the independence. There is always a situation like war, terror, cross-border tension between India and Pakistan due to Kashmir. All the countries of the World appreciated the step of the India-Pakistan which promote peace and prosperity of two neighbours. The peace and mutual understanding of these two countries will not only promote economic development and

political stability in the region but also eradicate terrorism and armament race.

On December 2, 2003 in a press conference at Tokyo, the Japanese Foreign Minister said that, “it highly evaluated a series of confidence building measure” that the two South Asian neighbours had recently taken. Japan expected that this positive development would develop further the India-Pakistan relations and promote mutual understanding and cooperation between people of two countries⁴⁰.

India and Pakistan were responsible as well as powerful country of Asia. Both the countries want to develop good relations with Japan. But Japan is very much clever as far as their needs and requirement is concerned. Japan seriously concentrated on Security and Strategic perspective.

In 2003, India's External Affairs Minister, Natwar Singh in a Joint press conference with Japan's Foreign Minister, Yoriko Kawaguchi emphasised that how to strengthen India-Japan global partnership from a strategic perspective. They pointed out to enhance a dialogue and cooperation on security issues. The representative of both the countries emphasised that our long term security concerns and objectives and cooperation in this area would be stabilizing factor in Asia and the world at large.

DIPLOMATIC INTERACTION BETWEEN INDIA AND JAPAN:

One of the noblest qualities of a country is to maintain a good diplomatic interaction. India and Japan maintained a good diplomatic interaction after the declaration of the strategic partnership. The leaders of both the countries were very happy due to new relationship. Japanese Foreign Minister, Yoriko Kawaguchi, in her speech to the Japanese Diet on 4 February 2002, said our relations with India, the foremost Asian country were based on the India-Japan joint declaration issued during the visit of Prime Minister Vajpayee. India and Japan as global partner wanted to maintain cooperation in the political and security areas. The Foreign Minister of both the countries constantly interacted with each other. They met at the Asia cooperation Dialogue in Thailand in June 2002, in Brunaie on the side line of the ASEAN Regional Forum in July 2002 and on the sidelines of the second ministerial conference of the community of democracies in November 2002. In October 2002, the former Japanese Prime Minister, Yoshiro Mori, visited India to attend the Japan week organized by the Japanese Embassy. Prime Minister Vajpayee and Koizumi met on 12 September 2002 during their visit to New York to attend the 57th session of the UN Assembly. Both agreed to promote further bilateral relations in accordance with the India-Japan joint declaration issued on 10 December 2001⁴¹. This declaration clearly

indicated that India and Japan indeed hopeful of a new spring in bilateral ties in the wake of, so called nuclear winter that had gone by⁴².

The joint declaration was basically intended bilateral exchange at the echelons of ministries for foreign affairs, finance and defense on continue basis. When we look on broad perspective the security dialogue was to cover counter terrorism issue as well as maritime security for the sake of energy supplies to Japan from West Asia. Although Japans prime concern in formulating the catch all proposition was to engage India in a sustainable fashion on global issues of disarmament, non proliferation of the weapons of mass destruction technology and the like⁴³.

In a joint press interaction at, New Delhi on August 12, 2004, Japanese Foreign Minister emphasised to improve the existing relationship between India and Japan.

He told Indian External Affair Minister Shri Natwar Singh that Japan identified India as a major power in Asia and the World for maintaining international peace, stability and prosperity around the World. He said to Mr. Singh that we agree to cooperate each others on UN reform. We shared the common understanding for the membership of both permanent and non permanent seat in Security Council. We shared the recognition that both countries were legitimate candidate for the permanent membership of the Security Council.

Indian External Affairs Minister Natwar Singh agreed with the view of Japanese Foreign Minister and said that "Japan and India shared the understanding that it was of great importance to enhance the effectiveness and credibility of the Security Council, particularly through expanding the membership of the Security Council both the non permanent and permanent seats. Japan and India, based on the firmly-shared recognition that both countries were legitimate candidates for the permanent membership of the Security Council in the light of the current realities of the international community, and make almost efforts and closely work together towards realizing the reform of the Security Council⁴⁴.

The External Affairs Minister Natwar Singh had said that the main focus of our discussion had been on how to strengthen the India-Japan global partnership, proceeding from strategic perspectives. They emphasised to exchange the useful ideas on further development of our multi-faceted cooperation centering on broadening and deepening of bilateral relations and cooperation with each other in meeting global challenges⁴⁵.

Both countries view were similar for the sake of establishing relations with the aim to cooperate each other in emerging global circumstances. They wanted to enhance their dialogue and cooperation on

security issues. They said our cooperation in security area would be a positive stabilizing factor in Asia and the World at large⁴⁶.

On October 25, 2004 Indian Ambassador Mani Lal Tripathi at Japan in a conference at the inauguration of the second Tokyo-New Delhi peace in Asia shared some thoughts on India-Japan relations. They are as follows.

1. Indian Ambassador Mani Lal Tripathi has given their non neighbourhood experience, our Japanese friends would no doubt have understood our position, if they had imagined themselves in our position, if they had seen the tests in the context of our geographic situation, our security of our region.
2. In a given call for Japan-India Global partnership in the 21st Century, she showed great sagacity in visualizing that our differences on single issue must not stand on the way of constructive engagement in vast areas of convergence.
3. In fact, even a passing look at the emerging post Cold War world makes it obvious that there is now a broad convergence of our enlightened interest and aspiration, our strategic objectives and our security concerns.

4. We have a role to play in imparting momentum to the emergence of rule based, multi polar, democratic and equitable world order that alone can ensure long term peace, stability and equilibrium on our planet.
5. We can work together in persuading all our common friends to recognize that polarity and unilateralism are not sustainable proposition in the long run.
6. The U.N system and both our countries will benefit from Japan and India working together for making this international body more representative of present day realities more effective and more credible.
7. The decision of Japan, India, Germany and Brazil to support one another, candidature for permanent membership of the Security Council was an important step in this direction. The mutual acknowledgement that the claim of each of us stands on its own merit and that we are not in competition here was long our due.
8. Both support a cooperative and, comprehensive approach to combating international terrorism. Both were against double standards in fighting this scourge. Both have a common stake in working together in this regard.

9. Both were vitally interested in insuring the safety and protection of common sea lanes of communication,
10. Since Asia was the focus of this seminar please permit me to say a few words on the importance of Japan-India collaboration in emerging Asia.
11. It was wildly believed that the 21st century will belong to Asia and for good reasons.
12. Asia was the largest continent in the world, both in terms of population as well as Territory.
13. It encompasses extraordinary diversity in terms of religion, race, ethnicity and culture. Several of great ancient civilizations originated in this continent. Almost all major religions were born and continue to thrive in our continent.
14. By 2025 Asia is likely to account for 55 percent of the world population and 57 percent of global GDP.
15. This continent would account for the world largest energy resources.
16. By the year 2010, 60 percent of the world population in the 20-35 age group will be in Asia, contributing a vast pool of producers of goods and services and driving global demands.

17. Speaking at the Asian relation conference in New Delhi in March 1947, Prime Minister Nehru has said, and I quote "We live in an age of tremendous transition and already the next stage takes shape when Asia assumes her rightful place.
18. Asia is on the threshold of realizing that vision.
19. An atmosphere of peace and stability in our region and sustained trust and cooperation among leading Asian nations like Japan, China and India, will be essential to ensure that Asia fulfills its destiny.
20. Mutual acknowledgement on pragmatic bases of the complementary roles that great Asian nations have to play in this regard will facilitate the process.
21. Japan and India as two independent nations and mature democracies, have different perspectives in same areas. However, our common interests far out weigh our differences.
22. Our desire for close, cordial and cooperative relations with Japan was based on national consensus and was above domestic politics.
23. Our new government under Dr. Man Mohan Singh has in numerous pronouncements since taking office, reaffirmed India's

intention to pursue a close strategic and economic engagement with Japan.

24. We were looking to the future of Japan India relation with confidence enthusiasm and anticipation.
25. We want to work with Japanese friends on the basis of equality.
26. We believe that the floret of our global partnership will be positive for our two peoples, it will be positive for Asia and it will be positive for the world as a whole⁴⁷.

Indian ambassador Mani Lal Tripathi had given a friendly speech at Nippon Foundation by Keeping in mind the India's Geo-Political and security environment. He wants to aware, Japan the prevailing circumstances in India and had said that our differences on one single issue must not stand in the way of constructive engagement in vast area of development.

He criticized the unipolarity of world order. He appreciate the emergence of rule based, multi polar, democracies and equitable world order which can promote long term peace, stability and balance of power on our planet.

Mani Lal gave their opinion to Germany, Japan and Brazil to support one another candidatures for permanent membership of Security Council.

Both India and Japan was trying to combating international terrorism and ensuring the safety and protection of common sea lane of communication.

In the last he has said that both India and Japan should perform our friendship on the basis of equality mutual respect, mutual benefit and confidence with each other for economic development and political stability.

An Indian parliamentary delegation led by Somnath Chatterjee, speaker of Lok Sabha, along with the presiding officers of the upper house, visited Japan in November 2004. The delegation met the Japanese Prime Minister and other political leaders on 2 November 2004. They expressed satisfaction regarding Tokyo's relationship with New Delhi and hoped for further consolidation and expansion of areas of friendship. Due to the political circumstances in which the relationship develops in the context of global partnership, both countries expressed their willingness to support each others candidature for permanent membership of the United Nations Security Council (UNSC). The

delegation also met former Prime Minister; Yoshiro Mori who visited India in 2000 helped fashion the global partnership.

Mr. Mori expressed appreciation of India's democratic system and noted that, the visit by the parliamentary delegation from India after a gap, of 15 years would regenerate links between the two democracies. The Indian delegation and the Japanese Foreign Minister, Nobutaka Machimura, express their satisfaction over the present level of bilateral cooperation on the issue of U.N.S.C. reforms⁴⁸.

PERMANENT SEAT IN THE UNITED NATIONS SECURITY COUNCIL:

India and Japan as the dominant countries of only Asia but also in world had claimed for the permanent membership of Security Council. In connection of this Kawaguchi had said that India-Japan had shared the recognition and both countries were legitimate candidate for permanent membership of Security Council. Kawaguchi had said that both he and India's Foreign Minister agreed to support each others candidature for permanent membership.

In a joint press statement issued by India, Brazil, Germany and Japan on the need for UN, reforms at New York on September 21, 2004 had said that the Security Council must reflect the realities of the international community in the 21st century. It must be representative,

legitimate and effective. It was essential that the Security Council to include, on a permanent basis, countries will and capacity to take on major representatives, with regard to the maintenance of international peace and security. There has been nearly four fold increase in the membership of the United Nations since its inception in 1945, including a sharp increase in the number of developing countries. Thus Security Council must be expanded in both the permanent and non permanent categories, including developing and developed countries as new permanent members⁴⁹.

The countries like Brazil, Germany, India and Japan are well recognized countries as well as legitimate candidate for permanent membership in an expanded Security Council support each others candidature. Africa must be represented in the permanent membership in the Security Council⁵⁰.

India's Foreign Minister highlighted India's approach on UN reforms. He said that India and Japan shared common understanding to enhance the effectiveness and credibility of the Security Council through expanding its membership, both in permanent and non permanent seats.

The expansion of both categories of Security Council membership, permanent and non permanent and the inclusion of developing countries in both will be remedy for today's structural shortcoming. This figure in

the enter alia, in the high level power report and will enable the Security Council to reflect today's realities"⁵¹.

India and Japan generally recognized as the legitimate candidates for permanent membership. In prevailing current circumstances in the international community, would support each others candidature, make the great effort and work closely together toward realizing the reform of Security Council. In order to maintain coordination in this direction, both countries agreed to institute a dialogue on UN reforms for exchange of views and coordination of positions on the key issues at the level of Director General⁵².

In a press interview on December 1, 2004 at New Delhi Brazil, Germany, India and Japan welcomed the report of high level panel and thank the Secretary General as well as the panel for having created new momentum in the debate about reforms needed to face tomorrows interconnected threats. They said we supported the call for comprehensive approach. The interconnection of threats to international peace and security was more evident than before. They supported and initiated the multilateral system which was essential to cope with the emerging challenges of the world. No single state can protect itself from global threats lets alone find sustainable solution. Therefore a common understating was needed on the future of collective security and the

necessary institutional reforms. Institutional reforms were essential, if the UN had to perform in a way that would generate the need, support and trust among the membership. This applies generally to several bodies but particularly to the Security Council⁵³.

It is the responsibility of the international community to bring a change and reform in the Security Council to make the world a multilateral and prosperous world in which all the aspects of human being should be determined.

The India, Japan, Brazil and Germany believed that the panel had put focus on the right issues. Economic and social threat, including poverty and infectious diseases and environmental degradation, interstate conflict, internal conflict, including civil war genocide and other large scale atrocities, radiological, chemical and biological, chemical and biological weapons, terrorism as well as transnational organized crime. Most of these factors largely based on poverty, illiteracy, deprivation, extreme nationalism as well as underdevelopment. The development issues directly linked to the global security and development. Perception of injustice due to extreme poverty and lack of opportunity to improve living condition often provide fertile breeding grounds for terrorism civil unrest and intra state conflict. Therefore we should make a joint effort with the cooperation of developed and developing countries for the

effective development⁵⁴. We should effectively realize the United Nations, should realized the world realities by increasing the number of seats in United Nations Security Council.

The question was raised in Rajya Sabha regarding the increasing of permanent seats in Security Council at New Delhi on December 2, 2004.

In response to this question the minister of state in the Ministry of External Affairs Mr. Ehamed had said that the issue of the reforms and the restructuring of United Nation Security Council had been under discussion at the United Nations for several years. But there was not any decision been taken in this regard. In fact there was an increasing momentum in support of India's candidature for permanent membership in UNSC. Several countries permanent members as well as others have clearly expressed their view in support for India's candidature either in the UN or in the context of bilateral exchanges⁵⁵.

The question was also raised, "Japan's support to get permanent seat in UN Security Council" on December 2, 2001. In reply both the countries Foreign Ministers have said that the legitimate candidate to become a permanent member of Security Council and would support each other to become permanent member of United Nations Security Council.

At the United Nation (UN) India and Japan were together trying to ensure permanent membership of the U.N. Security Council

(UNSC). The Group 4 drafted resolution on 6 July 2005, which generated very wide support in the general membership in the 59th Session of the General Assembly, which was submitted by Brazil, Germany and India on 5 January, 2006. It was widely recognized that no other module for the reforms and the expansion of the United Nations Security Council can become a substitute. The objective of resubmitting the G-4 resolution was to instill positive dynamics in the process of Security Council reform, which had been emphasized in the outcome Document of the world summit held in September 2005⁵⁶.

India, Brazil, Germany and Japan were making a tremendous effort to restructure the United Nations Security Council. The aim of resubmitting G-4 draft resolution was not to call for a vote in the near future. But to further explore the potential of joining hands with all member states supporting structural reform of the Security Council. The African Union had also made an encouraging effort in this context. The main aim of all these initiative was G-4 draft resolution. At that time it was hoped that the President of General Assembly has realize the need for modernizing the Security Council. It was hoped that the tabling of G-4 draft resolution would create a fantastic environment to the Security Council Reform, without which the overall reform of United Nation would be useless and incomplete⁵⁷.

On 7 March Japanese Foreign Minister Taro Aso called the African Nations to support Japan's effort to reform the United Nations Security Council. He invited our African friends to cooperate with us in achieving a concrete outcome by the end of the 60th session of the General Assembly of the UN in September 2006. Japan told Germany that their plans to reform the UNSC (United Nation Security Council) must gain the support of the United States and Germany. Both agreed to cooperate on UNSC reform despite differences⁵⁸.

All G-4 members Brazil, India, Germany and Japan has said we will work together toward realizing a meaningful reform of the United Nations including that of Security Council together with other member states⁵⁹.

The US Secretary of states Condoleezza Rice said on 3 March 2006 "We understand India's aspirations for a Security Council seat and we support enlarged, more representations in Security Council that looks like 2005- not 1945". India will continue work together with Japan on this prestigious matter. Both India and Japan have a desire to strengthen a global mechanism for ensuring peace, prosperity and political stability in the world at large. They encourage the concept of sustainable development which protects the environment of this planet which is our common home⁶⁰.

It is a prime responsibility of each individual as well as nation to protect environment by eradicating all means of pollution. Today's world has become an industrial world in which the process of development is rapid. This rapid industrialization development some times creating problem for all living beings in the form of various kinds of disease, disasters, natural climate and ozone layers etc.

To remove all these problems India and Japan talked about sustainable development at the world level. They said development is prime important but it should not such a cost that it may harm nature.

India and Japan were agreed to strengthen their energy and environment cooperation with environmentally sound technologies. In this task they stressed on increased focus on energy security-energy efficiency, conservation and pollution free fuels. They have also talked to cooperate in the hydrocarbons sector areas such as exploration and production and downstream projects including those in third world countries as wells as on improving Asian oil markets and increasing investment in Asian energy infrastructure⁶¹.

India and Japan was decided to work as partners against proliferation. Expressing their view towards the goal of achieving a world free of nuclear weapons, the two governments affirmed that they will seek to promote commonalities and identify areas of convergence for

mutual cooperation between them in a constructive manner. The government of India and Japan consolidate their existing cooperation, both bilaterally and in various international fora⁶².

Both India and Japan worked together on the issues such as nuclear power, weapons of mass destruction and environmental protection. Both the countries kept this issue as a goal to maintain peace in the world.

On 26th May 2006 India and Japan expressed their opinion in a press conference at Singapore to pursue cooperation in defence and security domain to promote "Stability and Prosperity as well as peace in Asia and the world at large". Describing as "Partner in peace" the two countries identified "mechanism" for such cooperation⁶³.

Both the countries are responsible and powerful countries in Asia. They were aware about the various regional as well as global problems. All these problems could be solved to become a permanent member of the Security Council.

The leaders of India and Japan acknowledged the vital importance of the role of the United Nations in World peace stability and prosperity. They intentionally work together for the early realization of UN reform particularly Security Council. The two leaders also emphasised the revitalization of the General Assembly as it represented the General will of all member states, as well as the importance of enhancing the

efficiency of UN agencies and organs in the social and economic fields in order to effectively address urgent challenges⁶⁴.

Both India and Japan wanted to make the United Nations and its agencies more influential in the light of global forum. They do not like that the U.N and its agencies should work like a puppet in the hands of few. They wanted representation of all in making the U.N policies and programmes as U.N and its agencies belonged to all member states.

The leader of both the countries working together on regional as well as global issues as they are both associated religiously and culturally.

On August 20, 2007 Prime Minister of Japan Shinzo Abe visited India. He had said in a press interview that we should not be say anything orally, but we should implement the way which is going for the development prosperity and regional integrity. He had said to cover the entire range of political issues. “There are issues where we have worked together very closely, such as in the G-4 when we work for the UN Security Council reform. There were also Asian Integration Issues, Formation of East Asian Summit (EAS) and other work for an open economic architecture in our own region, and also some defense and security issues which affect both sides⁵⁵.

The Prime Minister Abe had given a comprehensive lecture on India-Japan relations. He had emphasized all the fields which promote

good relations between two and made the task easy which they kept in mind as a goal. Both India and Japan were very much passionate to become a responsible super power like other five permanent members by enhancing- the membership of the United Nations Security Council.

Both the countries hoped that the days are not far when the deserving member states specially India and Japan will become the permanent member of Security Council. They constantly made efforts as well as supported each other for achieving the goal. It has been expected in future that there will not be any conference, at regional as well as international level in which the issue of the expansion of membership of United Nations Security Council will not be discussed.

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Chapter V

Conclusion

CHAPTER - 5

CONCLUSION

The end of World War-II and the following six decades paved the way for India-Japan to develop strong relations on the basis of understanding, needs and mutual respect. The phase of the Cold War period might as well created some misunderstandings and hiccups. But the study reveals that after the commencement of 2000 both India and Japan came forward to build strong partnership. The study reveals Japan's foreign policy in post Cold War phase was mainly limited to economic matters, trade and commerce. But with passage of time relation resulted in multi-dimensional ways. It ranged from nuclear disarmaments, counter-terrorism etc. Both the countries went hand in hand to deal with UN reforms and regional community building. Both the countries signed Declaration on Security Cooperation in October 2008.

A country like India has liberalized its domestic policies in order to attract Foreign Direct Investment (FDI) by which the relationship between the investor and host countries could become strong.

The Economic and Technological backwardness of Asian Nations provided an opportunity to Japan to expand her economic activities in Asia for the sake of economic development. Eventually, this initiative

paved the way for diffusing political tensions and regional issues. This was to ensure peace and stability in the region. In this way regional integration and security will be materialized by means of a higher degree of trade and investment among the regional countries.

As mentioned before Japan started to play a significant role in Asia for most of the time since 1950. In the beginning its role was in economic field but later political as well.

The post cold war era has witnessed dramatic changes in international economy and politics. The post Cold War period signified the end of bipolar world and the beginning of new multiple politics emerged. In such circumstance globalization as an ongoing process is unavoidable, changing entire framework of politics, economy as well as culture. At the global level the style of business administration had been recognized due to the operation of multinational companies all over the world.

The countries like Japan gives concessional aid and direct investment for other Asian countries generally but particularly to India in order to create a favourable environment.

The post war Japanese foreign policy had successfully achieved its goal of transforming an economic power in the contemporary global world.

The purpose of examining Indo-Japanese relations since the end of Cold War has given a shape over a period of time and displayed its implication for Japan's changing global roles. Its emphasis had throughout the evaluation of Indo Japan economic, political and strategic relations and events at regional as well as global levels for last seventeen years.

Although the events between the India-Japan relations are few i.e. Pokhran Nuclear Test in India, the Prime Minister Mori's visit in 2001 and signing of Indo-Japanese global partnership for the 21st century as well as the recent visit of Prime Minister Koizumi in April 2005. These were the events which had positive as well as negative implication as for as Indo-Japan relations concerned.

The negative implication was only during the time when India conducted its nuclear test at Pokhran. Under these circumstances of confusion Prime Minister Yoshiro Mori made an official visit to India in August 2000. A man of great vision redefined bilateral partnership. He encouraged for the global partnership of India and Japan and to resolve the issues like disarmament, UN reform, counter terrorism, maritime security, and cooperation. He believed in India Japan potential which would contribute substantially the resolution of several global of regional

issue. But there were reasons on Mori's stress for global partnership with India. After the end of the Cold War Japan very slowly adjusted and understood the new geo-strategic realities, misunderstanding with US on China, currency crisis in 1997-98 in Southeast Asia etc. So, Japan was curious enough to seek partnership within South Asian region i.e. of US alliance.

Cooperation plays a key role in today's international relations. However its proper implication is yet to be explored. As a search for the way of global cooperation, restructure of several international institutions as well as bilateral alliances in United Nations Security Council has been discussed at international level.

It seemed that regional cooperation had emerged as one of the most outstanding phenomena of international economics as well as politics typically with the formation of such bodies as European Union and ASEAN. Security has always been considered an important issue in international relations. It has become prominent how to maintain regional as well as global security especially after 9/11. It proved that the more conventional means of security does not sufficient to control World Wide threat of terrorism. Even the biggest economic and military power is not able to solve the problem without cooperation of other countries.

Today is an era of globalization in which every country is interdependent and seeks cooperation as far as their circumstances are concerned. It is natural that the changes come due to circumstances after the end of the Cold War led India and Japan to reconsider their position in the world respectively. The end of World War-II brought India and Japan have been in different positions. Japan after the occupation period by the allies has established strong relationship with the U.S. and has followed the capitalist model of liberal economy, whereas India took a leading role for the Non Align Movement and adopted socialist model of planned economy showing a soft corner towards the Soviet Union. The countries were divided on the basis of economic status. Japan belonged to the developed North and India in the less developed South.

In other words Japan inclined towards the United States of America and India inclined towards specially Soviet Union. As a result of these factors in the Cold War era, there were many limitations on India-Japan relationship. Even though there was hardly any dispute between the two countries. Historically both the countries shared mostly common customs, traditions and culture etc.

With the end of Cold War India had initiated a major economic reform policy from the early 1990's. A lot of initiatives had been taken by

India, but Japanese perception to India remained same and the indifference persisted, for instance neither the bilateral trade nor Foreign Direct Investment (FDI) till 2000.

India received a huge amount of ODA from Japan in comparison of other South Asian countries. The ODA has been the core component of bilateral partnership for decades. Since 1958 India received ODA time to time and as per data 28 billion dollars' loan was received till 2008. There were many objectives that had driven Japan to extent its economic support in the form of ODA to India. No doubt economic assistance is essential for the sake of development. But the economic relations have been government oriented. This is one of the important factor that had discouraged a healthy market development in India.

Such type of economic policy of Japan towards India reflects a "rich gives the poor" attitude, which is a part of concerns of the global development issue. This type of attitudes creates discrimination among the countries on the basis of economic status at the global level in which India is not an exception. This kind of anti Indian attitude seriously hurts the Indian sentiments, when India conducted its nuclear test at Pokhran in May 1998. The Japan's reaction was very serious as Japan was only a nation who suffered the nuclear disasters. Japan's reaction was very quick at that time, including taking economic measure against India in the line

of its ODA character in order to control such disastrous initiatives.. A lot of countries seriously criticized India's nuclear test. This type of disliking had always shown against any country conducted nuclear test. At that time the relationship between India and Japan went to the worst stage as Japan imposed economic measure upon India.

Both India and Pakistan are always in a competition in order to defeat each other in nuclear race. To control such competitive race Japan imposed economic measure but it did not affect Indian economy much, as most of Japan's ODA were a form of loans. Japan had failed to make an effective influence over India, showing limited diplomatic far sight.

Moreover India has been emerging as dominant player not only in terms of population and strong military power but also economic as well as strategic point of view, including in relation to China or the U.S. Japan couldn't avoid the relationship with India anymore. Since India has the potential to become strong diplomatic, political and economic super power in Asia.

Japanese foreign policy mainly created by the U.S as both are close to each other. Japanese could not go against the will of United States of America. After the 11 September 2001 terrorist attack on America, Japan lifted its economic measure with the concern of U.S. Japan realized that India is a huge market for trade and investment and other countries

getting benefit on the cost of Japan. Japan has developed close relation for the sake of economic development and regional prosperity. The relation between India and Japan has also been accelerated during the visit of Prime Minister Koizumi in 2005. The visit was a landmark that promoted a process by which India-Japan would come closer. Out of eight point agenda which provided a new direction to the bilateral relation the main point was to make a framework for security dialogue and cooperation between two countries.

India and Japan are the leading giants in Asia. Both want to play a leading role in Asia as well as in world. India is keenly interested to become an economic giant with holding its unique status in the world politics. In such circumstances both the countries started to realize each other's potentiality in economic, political, and strategic aspect. Both are running and cooperates each other to become a permanent member of United Nations Security Council. This being sign of healthy relationship between India and Japan. There are so many areas where both India and Japan together can play an important role at different levels.

Today's world is a global world in which no country can survive without maintaining peace and security. So the first pillar of Indo-Japan relation is to pursue global peace and security. Both the countries are working continuously together to became a permanent member of United

Nations Security Council (UNSC) as a member of G4, as a part of U.N. reform. So they have intensified their activities to influence the voting pattern in United Nations Generally Assembly (UNGA) in September 2005 through G4 activities.

Japanese foreign policy attached permanent importance to the United Nations. In her view United Nations is the only Universal and comprehensive organization for maintaining peace and security globally. But more than half a century of its existence, the U.N. does not represent in a true sense the international community of today, and subsequently its legitimacy is increasingly questioned. Therefore it has become important to reform the U.N. structure especially United Nations Security Council. So that the U.N. can respond to the expectations of the international community of today's world. Japan expects to assume further responsibility as a permanent member of the reformed Security Council. In this aspect Japan regarded India as one of the most reliable and forceful partner in promoting the reform of the U.N. Security Council. As Japanese Prime Minister Mori told Indian Prime Minister Mr. Atal Bihari Vajpayee that we are in the same boat and striving for the common goal.

Both India and Japan seriously criticized terrorism, whether it is in New York, Kashmir, or Baghdad, at metro station in Tokyo, London, or Taj Hotel in Bombay. There is no place in the world which can be said, it

is free from terrorism. India is suffering from terror of terrorism for a long time. In this regard India and Japan issued a Joint statement to fight against terrorism for the preservation and restoration of peace and security at the regional as well as global level.

Japan has followed the United States blindly. U.S. India relations have become closer ever before recently. The security issues are likely to continue even so many countries have tried to oppose it. In short we can say that Japan is not changing its attitude towards U.S. as one of the closest obedient. It depends on India to follow such policies which promote stable relation between India and Japan and promote global peace and security.

India and Japan contributed a lot to reduce the disparities between developed and less developed countries for the sake of global prosperity. Japan has been the largest bilateral donor World Wide for a quarter of last century. Both India and Japan believe that prosperity and peace cannot be achieved without socio-economic development and political stability of developing countries.

After the end of Cold War, ethnic and religious conflicts continued to disturb peace and security in many regions, with poverty and economic disparity against their back drop. In case of development in India, Japan

has assisted India through ODA. However, sometimes its inefficiency and slow outcome have been pointed out. In these days India required more FDI in accordance with its economic policy and it seems to be a fair opportunity for Japan. Thus assistance and cooperation to developing countries in nation building is not only a humanitarian step but also a most realistic means for achieving international peace and stability.

Japan has initiated to reform world trading and financial system for promoting maximum welfare of developing nations. Japan is working together with other industrialized nations as well as developing countries, including India, so that a new round of trade negotiation at the World Trade Organization (WTO) will be launched at the earliest timing.

Japan is one of the leading giant of G.20. She has learnt how to improve and reform the international financial system for prosperity of global community. Japan is also committed to work together with the countries including India to discuss a variety of issues of global and transnational nature like, protection of global environment, eradication of infectious diseases, fight against terrorism, piracy and drug trafficking etc.

India is a leading country among the South Asian countries always tried to uplift the socio-economic condition of neighbours as well as

maintain political stability with the cooperation of Japan. Both India and Japan cooperated to improve the living condition of Afro-Asian countries which are suffering from economic backwardness and political instability.

India and Japan are two powerful democracies in the world. They have said that there are so many countries in the world which are suffering from military rule or authoritarian regime. They are not enjoying fundamental or human rights even India's neighbour Pakistan under the leadership of Parvez Musharraf was not enjoying such a right which can be considered democratic rights. India and Japan both being democratic country have tried to strengthen Asian unity and integrity.

It has been said that unlike European Union, Asia does not have solid and integrated body for itself. In fact there are different regional organizations for different purpose. It has been said that except European Union, Asia does not have a solid association to represent herself in front of world community as so many regional organizations performing different functions at different levels.

India had played a mediatory role regarding the problems in integrating and strengthening the unity among the Asian countries. In fact India-China relations are not peaceful as far as territorial problem is concerned and secondly, India is emerging as one of the important

powerful country of Asia and claiming to become a permanent member of UN Security Council. But India does not have an intention to play a discriminatory role. It wants to become a responsible country in Asia. Both India and Japan are the responsible power in Asia and trying to play a comprehensive role to unite Asia or considered as one Asia and want to make “new Asian era”.

For making Indian society economically sound, it is necessary to explore India’s economic potentiality. India thus started to come in the group of such reform minded and market oriented country since 1991. India started to welcome FDI and try to come into the political main stream of the international community. Japan appreciated and convinced that a new dawn of relationship came. Japanese business community got excited at that time.

India is still a leader of less weighty Non Align (NAM) group of countries. But a major power belongs to G-8 as well as the countries of Asia pacific region.

Japan grants India a huge amount in the name of ODA for better infrastructure, electricity and telecommunication. Japan realized that promoting export and manufacture industry can generate more employment. Both the countries are playing a complimentary role for the

economic development and regional prosperity. It is not a form of exploitation in which India had been suffered and Japan had been performed as some Asian countries in the past suffered. Both the countries have become powerful and responsible and Japan also realized that India's approach to external and is that the idea of "self-help" efforts.

India and Japan are linked culturally. Needs to strengthen cultural links is part and parcel of India-Japan relation. The potentials can be only exploited when two countries understand the bond they are sharing through centuries. It was Prime Minister Mori who laid emphasis on cultural ties and develop cultural dimension periodical cultural festivals are held in both the countries which created an environment to understand each others music, drama, religion literature and culture.

In the last but not least it can be said that India has a very important responsibility of contributing to the reform to the global system, both in political as well as economic fields. In the political field India initiated to reform United Nations particularly its Security Council.

India-Japan relations have witnessed a paradigm shift since 2000. Japan and India full fill all the criteria to become a new permanent member of U.N. Security Council. In economic field both the countries have initiated to reform international economic bodies like I.M.F. W.T.O in order to improve the economic status of developing countries including

India. Systematic efforts made by leaders of India and Japan have deepened and strengthened the ties. The rise of China as an economic and military strength in Asia provided common concern. India and Japan believed that they could play an important role together to construct new regional order.

India and Japan discussed many issues globally such as eradication of major infectious diseases, global warming, international terrorism and fight against piracy. They are working together not just for our mutual benefits but also to look beyond our bilateral relations. India and Japan well deserve to be called global partner if we jointly bear such a huge responsibility in the coming years. Both the countries are very much interested to work hard to restore their cherished relationship and to put it on a right path for making the two countries with bright future, particularly in economic field and more particularly in reaching some sort of political understanding eventually on major politico-strategic issues.

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